FINANCIAL TIMES



Nanotechnology

Make it small

Technology, Page 10

Fighting over the spoils



Savings surfeit stifles recovery



World shipping

Liberalisation drive falters

Survey, Page 11-13

World Business Newspaper

Juppé promises cuts in French tax and spending

French prime minister Alain Juppe pledged to cut income tax progressively over five years and to spread the burden of France's costly welfare system more widely. He said the plan would involve lowering all income tax brackets, creating a new univer-sal health insurance charge and reforming the "pro-fessional tax", levied on companies' wage bills and investments: Page 18

Index suggests strong growth for US: The US index of leading indicators rose for the third consecutive month in April, suggesting the economy will grow robustly in coming months. Page 5

Spain targets public works for cuts: New public works contracts will bear the brunt of spending cuts totalling Pta200bn (\$1.56bn) by Spain's new centre-right government. Madrid is seeking to back on track to meet the Maastricht criteria for the European single currency. Page 3; Danes join Emu elite on budget deficits, Page 2

UK cleared to join arms agency: French and German leaders gave the go-ahead for Britain to join their new joint arms procurement agency, UK defence secretary Michael Portillo said. Page 2

German insolvencies rise: The number of corporate insolvencies in Germany increased 14.1 per cent in the first quarter this year, compared with the same period in 1995. Page 2

Dalgety issues profits warning: Dalgety made the first BSE-related profits warning by a large UK public company since the EU banned exports of British beef in late March. In addition, a neurological disease in Dutch cats has also hit its profits. Page 19; Minister opens full defence of BSE measures, Page 8

 $\underline{B}_{k}^{p_{1},p_{2},p_{3},p_{4},$

Crédit Foncier investors may rebel:Minority shareholders in property bank Crédit Foncier de France, concerned at large losses reported in the provisional 1995 accounts, believe they may have amassed enough voting power to block approval of the group's accounts at its annual general meeting. Page 19

Awards for FT journalists

John Plender, a senior feature and leader writer for the Financial Times, and Tim Lexton, a freelance journalist, were last night commended in the British Media Award, presented by the Foreign Press Association in London, for their joint article on Matrix Churchill's nuclear links with Iraq. The main award, sponsored by Mercury Communications for the best foreign story by a UK journalist based overseas, was won by Robert Fisk of The Independent for a series of articles on

the leading US energy multinational, announced a top management shake-out intended to complement the deep-seated operational restructuring under way in the group. Page 19

Poli boosts Yeltsin's hopes: President Boris Yeltsin's bid for re-election received a psychological boost yesterday when an opinion poll with a reputation for independence put him on par with his Communist rival Page 2; Yeltsin ally voted out, Page 18

HK shipping chief may seek top post: Shipping magnate Tung Chee-hwa resigned from Hong Kong's executive council, fuelling speculation that he will compete for the job of chief executive of the colony after its handover to China next year.

ideological rift at UN conference: The ideological battle lines at the opening sessions of the United Nations' conference on urban development fell between western countries and mainly Islamic and Asian countries alarmed by demands which they see as undermining development.

Venezuela agrees IMF deal: Venezuela agreed a memorandum of understanding with the International Monetary Fund over economic stabilisation. paving the way for final approval of a \$1.4bn standby loan later this month. Page 5

-Lisbon scores own goal on soccer tax: Portugal's finance ministry was forced to announce that finance minister Antonio Sousa Franco would stay at his post after reports that he had offered to resign in protest over a scheme to relieve football clubs of tax arrears. Page 3

Canova statue found: A statue of Cupid by Antonio Canova was found discarded in a west of England garden. It is expected to fetch at least £1m (\$1.52m) at auction.

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TUESDAY JUNE 4 1996 Deal with US follows pressure from France

Europe secures greater role in Nato operations

By Bruce Clark in Berlin

The US yesterday agreed to give its European allies in Nato a greater role in organising military operations, but differences over the long-term future of European defence remained.

In a hard-won compromise at a Nato foreign ministers' meeting in Berlin, the US conceded that its European allies should enjoy "political control and strategic direction" of missions they run. Under the agreement, Nato may supply military forces and

equipment to the 10-nation Western European Union, the defence grouping emerging as the secu-rity arm of the European Union. But it was also agreed that the use of Nato forces in operations would need approval from all 16 members of the Atlantic alliance, and the US-led bloc would "keep under review" the way its assets

were being deployed.
Mr Warren Christopher, the US secretary of state, called the agreement an "important change", leading to "a Nato in which the Europeans can take greater responsibility if they

France, the strongest advocate of European self-sufficiency in defence, hailed as a victory the removal of a clause that would or "supervise" European-only

Mr Hervé de Charette, Prance's foreign minister, also described as "historic" the agreement to identify headquarters and command structures within Nato that could be used for European-

only operations. But he made clear that France, which pledged six months ago to move closer to Nato's military wing, would not fully rejoin the alliance's military structure until it was certain that Nato reform was under way and irreversible. Mr de Charette described yesterday's agreement as a first step towards fulfilment of France's

ambition to equip Europe with the capacity to project military power and mount a wide range of operations by 2000. However, Mr Malcolm Rifkind, the UK foreign secretary, laid out a more modest agenda for WEU operations, saying Nato assets

would "occasionally" be used by

the European defence club for

low-level military tasks. "I don't see any serious possi-bility that the WEU could be suitable to carry out a serious, com-bat-related task," he said. Mr Rifkind said the WEU's role

sity peacekeeping missions. Nato officials also stressed that the use of the alliance's equipment for WEU operations would be the

exception rather than the rule.

Aides to Mr Christopher said the US would usually want to be directly engaged in handling any serious security problems that arose in Europe.

"The US will continue to be involved in all the crises Nato will face in the future," said Mr Nicholas Burns, the State Department spokesman. "The US considers itself to be a European

Mr de Charette hinted strongly that France had extracted concessions from the US by threatening to block Nato enlargement - a proposal strongly backed by the State Department and Pentagon.

"I don't see how enlargement could progress on the basis of a rejection of France's proposals,"

The French minister wants the appointment of a European deputy to the US general who commands Nato forces in Europe. However, this proposal, which has also been floated by some

British officials, is viewed with suspicion by General George would be concentrated on mis- Joulwan sions of humanitarian relief, Europe. Joulwan, the Nato commander in



Palestinian leader Yassir Arafat (centre) arrived in London on the first day of his two-day visit to the UK where he will hold talks with

UK steps up veto policy in **EU** over beef ban

By Caroline Southey and Lionel Barber in Luxembourg

The UK stepped up its campaign of non-co-operation in the European Union yesterday, blocking eight ministerial decisions including measures to combat fraud and racism.

The British vetoes came just before a meeting of EU farm min-isters to consider a partial lifting of the export ban on British beef UK hopes that the embargo would be eased rose as Spain said it would vote in favour, leaving Germany leading six countries opposed to lifting the ban.

Mrs Loyola de Palacio, the Spanish farm minister, said she had been won over by the document tabled by Mr Douglas Hogg, the agriculture minister, on measures the UK is taking to eradicate mad cow disease.

The vote on lifting the ban on beef by-products - gelatine, tal-low and semen - turned on the intentions of Belgium, Luxembourg and the Netherlands. The European Commission hoped that it could muster the neces-sary qualified majority to ease The UK's policy of non-

co-operation is widely viewed as complicating its effort to win support for a phased lifting of the embargo. Mr Malcolm Rifkind. foreign secretary, will today begin a tour of European capitals to present the UK case. Mr Ivan Yates, the Irish agri-

culture minister, warned that Britain's stance could backfire. "It must get to the point where the resistance from continental member states is that they get as bloody-minded as the British."

Mr Karel van Miert, the Belpletely idiotic".

Mr Kenneth Clarke, the chancellor, blocked three decisions at the meeting of EU finance ministers: a draft response to Lebanon on financial assistance; support for the Bosnian elections; and an initiative for EU fraud inspectors to carry out spot-checks in mem-

Feature, Page 17 Minister opens defence, Page 8

Japanese mortgage lender fails with \$3bn debts

Another large Japanese financial institution collapsed yesterday under a pile of bad debts, highlighting the continuing fragility of the country's banking system.

Shin Kyoto Shinpan, a consumer finance company based in Kyoto, filed for bankruptcy with debts of Y350bn (\$3.23bn). The news upset financial markets unnerving equity investors and reawakening fears of a chain of failures at smaller banks and financial institutions. It was the seventh-biggest

bankruptcy in postwar Japanese history and the eighth big fmancial institution to collapse in less than 18 months.

Bank of Japan officials attempted to play down the significance of the failure, pointing out that most of the compa-

Eighth financial institution to collapse in 18 months the company under a pile of guardescribed under the company under the co

ny's creditors were the much larger and stronger national banks, not the deeply-troubled second-tier regional banks and credit associations.

But the collapse will focus comprises several hundred institutions - such as Shin Kyoto that undertook a range of risky lending and other activities dur-ing the bubble economy of the late 1980s.

These companies derive their funds entirely from other financial institutions. They have virtually no depositors and very little capital. Thus, if they fail, the losses can be very high and must be borne entirely by their credi-

tor banks, to which the nonbanks are often closely tied. Shin Kyoto's main creditors are

Nippon Credit Bank, Sanwa Bank, Industrial Bank of Japan and Hokkaido Takushoku Bank attention again on the poor health of the so-called "non-bank" financial sector. It for each bank are relatively small, but the wider concern about cumulative problems in the financial system was reflected in heavy selling of all hank shares on the Tokyo stock exchange.

Several leading banks saw their share prices fall by up to 3 per cent yesterday, and the Nik-kei index of 225 leading stocks closed down 367.7 points, or 1.7

per cent, at 21,588. Shin Kyoto specialised in the

mortgage guarantee business in related to guarantees. western Japan. The problems at the non-The company grew rapidly in

the late 1980s as property prices in the Kyoto and Osaka region soared and a growing number of house buyers rushed to cash in on the rising market. But with the collapse of land

values in the last five years. mortgage defaults increased sharply, gradually submerging

of the company's debts are

bank institutions have been largely overshadowed in the last year by the bad loans at the nation's banks and housing loan

In February, Equion, another non-bank finance company, failed with debts of more than Y300bn.

Martin Wolf, Page 16

Athens attacked for work on Bosnian Serb telecom project

By Kerin Hope in Athens and Harriet Martin in Sarajevo

Greece's state telecoms company, OTE, is designing a DM400,000 (\$263,000) telecommunications network for the self-styled Serb "republic" in Bosnia that would provide civilian and military links with Belgrade but none with the rest of Bosnia-Hercego-

which was requested by the Bosnian Serb PTT, the telecommunications authority. It has no connection with a European Bank for Reconstruction and Development \$80m

Mr Carl Bildt, the international community's representative in Bosnia, is understood to have protested to the Greek government about OTE's plan.

Reconstruction officials say the

reconstruction project for the whole of Bosnia's devastated telecoms network.

involvement of OTE with the Serbs is against the spirit though not the letter - of the

gramme agreed at Dayton is geared towards reintegration of the country.

OTE said the company was working "in accordance with the terms of the Dayton accord. For instance, we refused the Bosnians' request to help them get an international dialling prefix on the grounds that that OTE will pay for the plan. amounted to separatism".

But OTE's involvement with the Bosnian Serb PTT is an emharrassment for Mr Costas Simitis, the Greek prime minister. Mr Simitis has been trying to overcome Greece's pro-Serbian image and build a constructive policy in the Balkans. OTE's board of directors

approved the project despite objections from several members that it was not among priorities outlined to potential investors when 8 per cent of OTE was listed on the Athens stock flotation of a Greek utility.

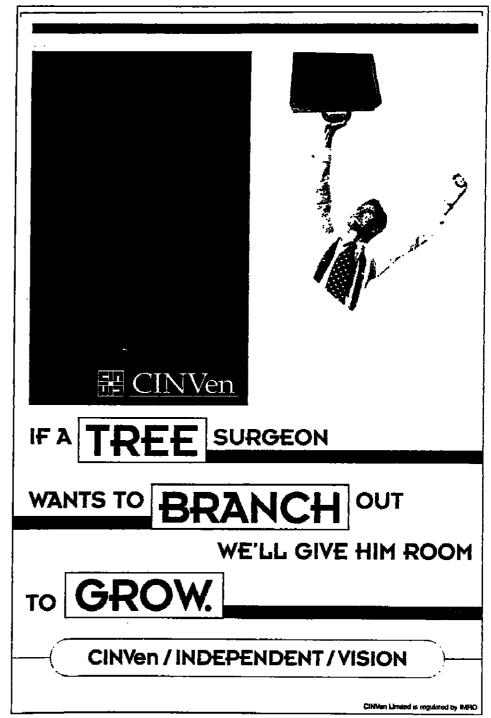
Dayton peace agreement as all said: "The Bosnian Serb PTT is aid under the reconstruction proin bad shape because most of their senior technical people have emigrated. The people left friends from OTE to fill the gap and design a system that will be secure and independent from the rest of the country."

OTE's plan would cover renewal of the Bosnian Serbs' fixed-wire network, including construction of two fibre-optic cable links between Pale and Banja Luka and Belgrade, mobile telephony and a satellite link for international calls.

Meanwhile, Hellascom, a joint venture between OTE and two of its main suppliers, is one of six groups that have expressed interest in setting up a GSM mobile telephone network for the Bosnian Serbs, a project that would be privately financed. The EBRD is encouraging cel-

lular telephony projects as a short-term measure in Bosnia-Hercegovina where some 30 per cent of the fixed-wire network

exchange in March in the first One Athens-based consultant CONTENTS Share Information ____30,31 FT Activities London SE _ FT/SP-A Wild Indices Wall Street Int. Bond Service Sure Managed Funds



Havel tries to broker new coalition

By Vincent Boland in Prague

President Václav Havel yesterday met leaders of the four main Czech political parties in an attempt to break the stalemate created by an inconclusive general election.

He said it would be "opti-mal" for Mr Václav Klaus's outgoing coalition, which lost its majority, to try to form a new government. But, hinting at the compromises now facing political leaders, he said such a task would be "unthinkable" without opposition support. caused share prices to tumble

and the currency to fluctuate sharply as investors took fright at the prospect of weeks of instability in a country vaunted until the weekend for the predictability of its politics. Mr Klaus's three-party centre-right coalition won 99 seats in the 200-member parliament,

13 fewer than in the previous parliament, in spite of gaining more votes. The opposition Social Democrats (CSSD) won 61 seats (24 previously), the farleft Communists 22 (35) and far-right Republicans 18 (14). Mr Havel said the CSSD's co-operation would be essential in the formation of any new

Zeman, its leader, was still withholding his support yesterday. After meeting the president he said a new government led by Mr Klaus "would not be in the best interests of the country". The deep animosity between the two men has led to speculation that Mr Zeman will only support a centre-right

The Prague bourse's PX 50 index closed more than 4 per cent lower yesterday mainly on selling pressure from domestic investors. The koruna tumbled nearly 2 per cent against the

government if Mr Klaus is not

Banking shares were hit particularly, with Komerchi Banka, the leading commercial bank, falling more than 10 per cent as investors feared that plans to cut the state's large stake were now on indefinite hold. SPT Telecom, which is majority state-owned, fell 8 per

Share prices and the currency had been stable before the election on the widely-held assumption that Mr Klaus Analysts said the inconclusive

government. But Mr Milos US dollar and the D-Mark in outcome was "the worst result Zeman, its leader, was still early trading but recovered possible" from the election. The koruna, already drifting as the country's trade deficit widens, was vulnerable to selling pressure, they said. Bankers expressed the view

that the prospect of a new government without Mr Klaus at its helm would damage the Czech Republic in the eyes of foreign investors, at least initially. "There would be much more caution among portfolio investors, but it would not nec-essarily matter to industrial investors," said Mr Zdenek Bakala, chairman of the investment bank Patria Finance.

Intensive negotiations are expected to begin this week on forming a new government, with Mr Havel playing a crucial mediating role. "It is within our capabilities to reach a consensus but it requires further negotiations," he said.

The president added that as soon as the government ten-dered its resignation he "will ask a person to form a government and name him prime minister". He quashed specula-tion that he might create an interim technocratic government before calling a new election. "I don't consider that a good solution," he said.

Go-ahead for UK to join arms

By David Buchan in Paris and

French and German leaders have given the political go-ahead for Britain to join their new joint arms procurement agency, but have posed some "conditions which need ironing out", Mr Michael Por-tillo, the UK defence secretary

"I think we have been accepted [into the agency]." Mr Portillo said at the Western

French officials said yesterday Paris and Bonn wanted to be sure that the UK shared their goal of creating a com-mon European defence pro-curement and industrial basis before admitting it into the fledgling agency, set up last year initially to run existing Franco-German pro-

'conditions" was overstated. on which to show its pro-European credentials

undermined, however, by sigdifficult"

that Britain had been taken by surprise before a meeting in Bonn on May 22 when it had been asked to endorse five principles governing the agency's policy which were agreed by France and Germany at their most recent bilateral summit last December.

The UK had already sifted

ship of the agency was to be settled by mid-June. One potential test of the

ance with GEC of the UK.

agency

European Union, of which the UK currently holds the presi-

dency.
"We did receive the green light at the political level, but have encountered more conditions and strings than we expected," he said, adding that, nonetheless, he expected UK membership of the agency

But the officials said talk of and that Paris and Bonn had set London no particular test

That assurance seemed to be nals from Bonn where defence ministry officials admitted that the three-way talks designed to incorporate Britain as a full member of the agency were

Other officials pointed out

through a five-point programme agreed at the summit in Baden-Baden but it then transpired that there was a further set of five principles which "needed consideration". However, officials said the approval process was progressing and that Britain's its

Britain's pro-European credentials could come with Mr Portillo's imminent decision on whether to award the hig contract for a conventionally armed stand-off missile (Casom) to the newly created joint company of Matra of France and British Aerospace, or to Hughes of the US in alli-

Speaking earlier to France's military academy, Mr Portillo-said the Franco-German agency, enlarged to take in the UK, could lead to "harmonis ing the procurement policies of the three countries that repre-Europe's defence industrial base... This is a tremendous

A Russian interior ministry soldier mounts guard over Chechens held in a detention centre near the capital. Grozny

Chechnya shrugs off Yeltsin 'victory'

Russia's writ does not run far beyond the capital, writes Chrystia Freeland

nside the heavily fortified Severnyi airport, headquarters of the Russian army in Chechnya, barbed wire and camouflage netting vie for space with cheerful election posters declaring that "Borls Yeltsin is the President of All Russians" and bright photographs of the smiling, bouffanthaired leader himself.

But just a few miles beyond the Russian soldiers and tanks which guard the entrance to the airport, Mr Yeltsin's slick campaign advertisements give way to a rougher brand of political agitation. Graffiti on the one remaining wall of a bombed-out barn declare: "Che chnya is a subject only of Allah." The skeletal remains of a farmer's house nearby insist: Russian occupiers out of Chechnya!"

The contrast between the posters in the airport and the slogans in the countryside which surrounds it is as great as the gap between Russia's official rhetoric about Chechnya and the real situation in a republic which has fought tooth and nail for indepen-

As part of his bold and energetic efforts to win re-election, Mr Yeltsin last week declared victory in the Chechen war and signed a ceasefire with rebel leaders. And now that

won, the Russian-installed local administration has been assigned the quizotic task of persuading a people battered by Moscow's armies for 18 months to exercise their rights as Russian citizens and participate in the June 16 vote for a

new Russian president. But, in the village of Gekhi, less than an hour's drive from Grozny, the Chechen capital, locals say there will be no voting there.

"No matter what Yeltsin's marionettes in Grozny [the Russian-backed local governmentl sav. there will be no elections here," says Mr Doku Makhaiev, a bearded 41-yearold carpenter who is now the commander of separatist forces in the south-western region of Chechnya. "We will not vote for a Russian president; he is the leader of a foreign coun-

Gekhi, just 3km from a Russian military checkpoint, is a good example of the frustra-tions which Moscow has encountered in Chechnya. Although Russian forces have nominally won control of the entire republic, in the quicksands of intense local support for the rebels the Kremlin has discovered that its victories can vanish almost as soon as its troops move on to the next

That is clearly the case in

Gekhi, whose openly-armed people proudly insist that Moscow, and the pro-Russian local government it has estab-lished in Grozny, have no authority over their village. Mr Said Aidamirov, the pro-inde-pendence head of the local administration, says that even the pro-Russian police force and tax inspectors are not wel-

come in Gekhi. "Yesterday, the tax inspectors came to collect taxes," Mr Aidamirov said. "I told them to get out of here. As long as they are Moscow traitors, let them collect their taxes in Moscow.

As for elections, Mr Aidamirov categorically insists that there will be none. "If we hear that someone wants to commit voter fraud and pretend that there have been elections here, we will arrest him and take him to the bunkers of Bamut [a Soviet-built nuclear shelter controlled by the separatists] for the duration of the war." In Gekhi's marketplace, a ramshackle collection of kiosks on the side of the dirt road that runs through the village cen-tre, the mood is equally ada-

"We will never vote for Yeltsin; he is destroying us," says Mrs Zara Banaieva, a gold-toothed 43-year-old selling bread, cigarettes and soft drinks from a small booth. "I would rather kill myself than

vote for Yeltsin. Why is he killing us? Because we want to live in freedom? Is that a reason to kill someone?"

Her neighbours nod their agreement, and it quickly becomes apparent that this quiet, hillside town is wholeheartedly involved in a war which Moscow says is being waged by a handful of "criminal handits".

Mrs Tamara Shovkhalova, whose stall is next to Mrs Banaieva's, says her husband is in the mountains fighting on the side of the rebels.

7 alid, a 26-year-old man who strolled over to buy a Coke with a machine-gun casually draped across his shoulder, is himself a separatist fighter, who has come home to visit his mother for a few days and help out on the farm. Even Madina, a shy, slender, 20 year-old woman, whose head is draped in the traditional Checken head-scarf has been fighting alongside the men in the hills and has returned to Gekhi for a few weeks to recover from a wound in her arm.

But in Grozny, in the small cluster of buildings surrounded by sand bags, barbed wire and Russian tanks which house the pro-Moscow administration, Mr Abdul-Kirim Arsakhanov, the head of the republic electoral

burnish his image as a peace-

commission, insists that at least 65 per cent of Chechnya's 478,000 registered voters will go to the polls on June 16.

"I do not think that the fighting will impinge on the elec-tions," insists Mr Arsakhanov, whose offices occupy the rav-aged city's former chess club. The other side has agents who actively give information to journalists. That is why journalists have a false impression of the situation. . . . but, in reality, the opposition is now broken and I think that in the end they will understand that it is pointless to continue to pro-

Yet, in a sign of how deeply Moscow has alienated everyone in Chechnya, even Mr Arsakhanov, one of the small band of pro-Russian officials who are reviled as traitors by many of their own people, is fiercely critical of the Kremlin's tactics in his republic. I will never forgive Russia. It was barbaric. People who

fought in the second world war said that neither Stalingrad nor Berlin were pounded as severely as Grozny," Mr Arsaklittle Chechnya do? The slogans of independence and free-dom are in the dreams of all Chechnya stand up to the great

Polls boost president's re-election hopes

By Chrystia Freeland in Moscow

President Boris Yeltsin's bid for re-election received a psychological boost yesterday when an opinion poil with a reputation for independence put him on par with his Com-Although several other opin-

ion polls have been predicting

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a strong Yeltsin lead for the past few weeks, the Institute for Parliamentary Sociology had stuck to its forecast that Mr Gennady Zyuganov, the Communist leader, would come out on top in the first round of voting on June 16. In a new survey published

yesterday, however, it pre-Zynganov would tie at 36 per tor said would probably produce a victory for Mr Yeltsin in the run-off a few weeks

dicted that Mr Yeltsin and Mr

Desuite the notorious unreliability of opinion polls in Russia, and their bias towards the incumbent, yesterday's result is significant because it means that all of the country's main pollsters now reckon Mr Yeltsin will be re-elected.

The president, who has defied concerns about his health following two heart attacks with an energetic round of public appearances, continued his vigorous campaign programme yesterday with a summit in the troubled

At a meeting in the southern city of Kislovodsk, Mr Yeltsin signed a mutual co-operation accord with Russia's three neighbours in the area: Geor-gia, Armenia and Azerbaijan. The presidents of all three had acrimonious relations

states, which have sometimes with Moscow since the collapse of the Soviet Union, publicly backed Mr Yeltsin's reelection effort. Mr Yeltsin also insisted his Caucasus region designed to government was on the way to

settling the war in Chechnya which has provided powerful political ammunition for his political opponents. Talks between Moscow and separatist fighters in Chechnya had "opened the way to a full set-tlement of the conflict". A ceasefire agreement, signed amid much fanfare in the Kremlin last week, was broken just hours after it

came into force over the weekbut Russian officials in Moscow said that peace talks

EU finance ministers' decision suggests flexibility over the Maastricht criteria

Danes join Emu elite on budget deficits

By Lionel Barber in Luxembourg

Denmark vesterday joined an exclusive club of European Union countries judged to meet the Maastricht treaty's targets for budget deficits, but Germany faced the embarrassment of being put on a blacklist.

The agreement on Denmark, reached by Union finance ministers meeting in Luxembourg, suggests that EU leaders will apply flexibility when judging which countries qualify for the single currency in early 1998.

The Danes trimmed their budget deficit to 1.5 per cent of gross domestic product last year, well below the Maastricht target of 3 per cent. Their debt

and the second s

the target of 60 per cent of GDP.

With this in mind, Germany formally objected to allowing the Danes to join freland and Luxembourg on the list of countries meeting the criteria. To qualify for Emu, countries must meet or be moving at a satisfactory pace toward the Maastricht targets of 3 per cent of GDP for public deficits and 60 per cent

of GDP for government debt. Like Britain, Denmark has an opt-out from monetary union and public opinion remains sceptical about the project. Its removal from the deficit blacklist should allow the government to impress financial markets.

Mr Theo Waigel, the German finance minister, has trumpeted the need for ratio, though declining impressively, is the strictest possible interpretation of still 71.9 per cent of GDP, well above the Maastricht targets for entry into the strictest possible interpretation of

deficits and debt, Maastricht stipulates low inflation and exchange rate stability for at least two years.

Germany's own fiscal position has deteriorated sharply in the past 12 months, leading to higher unemployment and a public deficit of 8.5 per cent in 1995. Germany's stock of debt is 58.1 per cent.

At the Luxembourg meeting, ministers agreed to stiffen the Maastricht provisions for enforcing budgetary discipline among Emu participants, working on German proposals for a so-called stability pact.

Germany wants EU disciplinary procedures to start automatically as soon as the 3 per cent target is breached or when a deficit "exists"; but Mr Kenneth

monetary union. In addition to public Clarke, the UK chancellor, said the other 14 countries favoured action when an excessive deficit persists". Germany did gain support for timelimits for countries to put their house in order or face fines and public censure, diplomats said.

Mr Clarke said ministers had agreed to defer a decision on whether EU countries had to be members of the exchange rate mechanism for at least two years to qualify for Rmu.

The British government, which took sterling out of the ERM in September 1992, in company with the Italian lira, has ruled out rejoining the ERM in the lifetime of the present parliament. Mr Clarke said deferral kept Britain's options on Emu open. It is game, set and match for Britain," he said.

Nastase behind in mayoral race

Opposition mayoral candidates appeared to be in the lead in several Romanian cities, including Bucharest, last night as partial, unofficial results from Sunday's first round of local

elections began to trickle in.
In Bucharest, unofficial polls suggested Mr Victor Ciorbea.
the candidate of the Democratic Convention (CDR), the main opposition group, had a commanding lead over Mr Ilie Nastase, the former tennis star, running for the governing Party of Social Democracy (PDSR). But in the Transylvanian city of Cluj, the extreme nationalist Mr Gheorghe Funar, leader of the PDSR's junior coalition partner, was reported to be leading the CDR candidate. The CDR won local elections four years ago but then lost narrowly to the PDSR in the 1992 general elections. The PDSR, which did not exist at the time of the last local polls, hopes to win Bucharest and some cities to boost its chances in this autumn's general election. However, turnout was so low that voting could go to three rounds in

Croatia given human rights list

The Council of Europe will set Croatia five conditions on democracy, human rights and co-operation with the Yugoslav peace process for admission to the organisation, the pears process for animisation to the diganisation, and organisation said yesterday. It said the 39-nation council, which promotes democracy and

human rights in Europe, would today approve a note setting

terms for Croatia's membership.

The document, to be sent to Zagreb tomorrow, calls for steps "as rapidly as possible" on all five questions before Croatia can be admitted. The council froze the process on May 14 in protest at actions by President Franjo Tudiman. Croatia is called on to co-operate with the international tribunal on war crimes in former Yugoslavia; to facilitate free elections in Bosnia, particularly in Mostar, to allow the return of Serb refugees to Crostia; to drop prosecutions against independent news media; and allow the election of a mayor of Zagreb by the opposition-dominated city council.

French video promotion dispute

Two video production companies said yesterday they had lodged formal complaints with the French and European competition organisations concerning allegations of preferential advertising rates offered to subsidiaries of the

country's leading television stations. Citel Vidéo and Editions Montparnasse said the policies adopted by the commercial station TF1 and the two public channels France 2 and France 3 discriminated against independent producers in the promotion of the the broadcasters' own video companies.

The two companies argue the rates being offered to TV

station-owned rivals were devoid of any business logic, claiming the cost at commercial rates of the advertising airtime being given to the products was far beyond their financial resources. They said TF1 Vidéo had received advertising slots on TF1 worth FF7150m last year, during which time it had a turnover of just FF7340m, while France Télévision Distribution, owned by France 2, had received slots on France 2 worth FFr26m, the equivalent of its annual

Belgian power utility targeted

The European Commission has written to the electricity utility. Riectrabel, Belgium's largest company by market capitalisation, telling it to modify recently re-negotiated long-term contracts with the country's municipalities. Mr Karel Van Miert, competition commissioner, told Electrabel, which supplies 92 per cent of Belgian electricity, he had "serious concerns" the contracts would prevent new

competitors entering the market. The contracts have recently been prolonged to 30 years including what the Commission called an "almost exclusive" obligation to Electrabel. In return, municipal distribution companies were allowed to buy stakes in Electrabel, totalling 5 per cent. The commissioner has given Electrabel one month to

come up with suggested changes to the contracts. Electrabel said it would respond to Mr Van Miert's request by putting its own case. It said the contracts were not binding, and since it did not have a legally-guaranteed monopoly, the Belgian electricity market was more open to competition than the markets of many EU states.

EU works council for Toyota

Toyota, the Japanese car company, has agreed to create a European consultative works council for its 4,500 employees in Germany, the UK and Belgium. Mr Tatso Takahashi, the company's marketing and engineering managing director in Europe, said the new body would help Toyota to develop "mutual understanding and trust" with its workforce.

It was negotiated with the European Metalworkers' Federation to comply with the European Union's works council directive that will come into legal force across Europe except in the UK, on September 22. The company stressed that the forum, which will start next month, would not duplicate or substitute its current systems of consultation at local plant Robert Taulor, London

Shooting on Cyprus 'green line' Turkish troops shot dead an unarmed Greek Cypriot soldier yesterday in a UN-controlled buffer zone dividing Nicosia, the

yesierday in a low-controlled butter zone dividing rolcosia, the capital of Cyprus, Cypriot military officials said.

The 19-year-old soldier was shot twice, a defence ministry official said. "He entered the buffer zone and started talking to a Turkish soldier — another Turkish soldier close by shot him," the official said. The incident on the "green line" dividing the island came on the day a British diplomat, Sir David Hannay, was due to arrive in a fresh effort to work towards a Cyprus settlement. Turkey has some 30,000 troops in northern Cyprus, which it seized during an invasion in July

ECONOMIC WATCH

German company failures rise

King to the Co.

The number of corporate insolvencies in Germany increased 14.1 per cent in the first quarter this year, compared with the same period in 1995. The strong rise in insolvencies reflects the continued force of the restructuring process in eastern Germany and the severe economic downturn in the whole of the country. The Federal Statistics Office said yesterday that insolvencies had risen for the fourth year running, with 6,090 German companies either declaring bankruptcy or entering into insolvency procedures. In

western Germany the number of corporate insolvencies went up by 6.6 per cent to 4,344, while in the east they increased by 38.2 per cent to 1,746. The east accounts for almost 30 per cent of all German insolvencies. The total amount of money owed to creditors has been put at about DM11bn (\$7.2bn) for the whole of Germany, about DM3.4bn more than was owed at the beginning of the year. Wolfgang Milnchau, Fran.

The Belgian industrial production index rose to 98.7 in Wolfgang Münchau, Frankfurt

December from 97.7 in November and was up from 94.7 a year Finnish retail sales in March fell 0.1 per cent from a year earlier, with wholesale sales down 4.6 per cent year-on-year.

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PM BUTSHAME

Spain targets Albania's oral ra public works poll ends in for big cuts

By David White in Madrid

New public works contracts will bear the brunt of spending cuts totalling Pta200bn (\$1.56bn) by Spain's new centre-right government this year.

The government, seeking to get back on track to meet the Maastricht criteria for the European single currency, yesterday tried to douse criticism about delays in detailing its plans and said the Pta200bn figure, first announced more than three weeks ago, should be enough to bring public-sector accounts back on course.

Mr José Folgado, secretary of state for the budget, said he was "convinced" additional cuts in 1996 expenditure would not be needed "at least for the His statement contradicted

earlier comments by Mr José Barea, head of the new budget office set up under the prime minister, Mr José Maria Aznar, suggesting a further cut of at least Pta400bn would be necessary to make up a gap in the social security

Mr Folgado said declining interest rates would ease the government's financial costs, while a gradual recovery in economic growth during the year should boost tax revenues. He made clear, however: "We are not talking about a boom.'

The government has forecast economic growth for the year of 2.3 per cent after a 2 per cent rate in the first quarter compared with the same period in 1995. The forecast is a full percentage point below initial forecasts made by the previous Socialist government, defeated in elections three months ago.

Mr Folgado said growth would be encouraged by a package of stimulation measures due to be announced shortly, targeted particularly

at smaller companies. He voiced the hope that the spending curbs would generate confidence in international financial markets, although he flawed landslide

added: "I cannot pre-judge how the markets are going to Public works and transport account for Pta79.2bn of the cuts, or almost 40 per cent. But Mr Polgado said projects which received EU co-financing, or which were already under way. against opposition parties. Most opposition parties, would be preserved. At the same time, the government

was studying "new formulas"

for bringing private invest-ment into infrastructure

Smaller cuts are planned in

The government

formulas for

investment in

infrastructure

is kept almost intact.

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other government departments including agriculture and education, while defence spending violence.

Meanwhile, the government has decided to block Pta56bn of funds resulting from rebates of The cuts are in addition to Pta850hn lopped off departmenderbeg Square.

ernment after it was forced to roll over its 1995 budget into The six seats won by the Democratic party in Sunday's second round of elections bring Spain's target is to reduce its their total number to 101 of the budget deficit from 5.8 per cent of gross domestic product last 115 directly elected. The Demoyear to 4.4 per cent this year crats will also win some of the 25 seats allocated by the pro-■ Basque separatists hissed portional system. The party is and shouted "out with the thus expected to control subking" as the Spanish royal coustantially more than the twople passed through the streets thirds majority of seats needed to pass constitutional laws.

of Bilbao yesterday, Reuter reports from Bilbao. Four people were hurt when police fired rubber bullets at the protesters and heat them back. Police had cleared away most of the antimonarchy demonstrators before King Juan Carlos and Queen Sofia arrived, but those remaining were able to make elections were fair.

By Marianne Sullivan in Tirana

Albania's ruling Democratic party yesterday claimed it had won another six parliamentary seats in the second round of the country's general election. which has been boycotted by most opposition parties and criticised by western observers for ballot rigging and violence

including the Socialist party the successor to the former Communist party - pulled out of the first round of elections on May 26 and did not take part in the second round, leav-ing the Democratic party, which claimed a sweeping 67.8 per cent victory in the first round, to face a few minor rightwing parties in run-off

votes. Some 70 Socialist party members entered their fourth day of a hunger strike yesterday. vowing not to participate in the future parliament if new elections were not called. Opposition leaders are also calling for peaceful rallies throughout Albania today to protest against the alleged ballot-rigging and the police

Mr Prec Zogaj, one of the leading members of the opposition party, Democratic Alliance, said police had refused the opposition's request to hold today's rally in Tirana's Sken-

Despite widespread criticism of the May 26 elections by western observers, and calls

from the European Union and the United States for partial reruns of the poll, Albanian President Sali Berisha and Democratic party chairman, Mr Tritan Shehu, insist that the

Finance ministry embarrassed by scheme to help football clubs meet arrears Portugal scores own goal on tax

By Peter Wise in Lisbon

Portugal's finance ministry was yesterday forced to issue a statement ibat Mr António Sousa Franco, the finance minister, is to stay at his post after newspaper reports that he had offered to resign in protest over a scheme to relieve football clubs of their tax arrears.

Portugal's Socialist government appears to have scored an own goal with the scheme - drawn up without Mr Sonsa Franco's approval - that will cost the state Es15bn (\$96m) in lost

Mr António Guterres, the prime minister, said yesterday his minority government had decided to seek pa mentary approval of the football tax scheme, backing down from pushing it

through as a decree in what appeared to be a concession in exchange for Mr

Sousa Franco's support. The manoeuvring within the sixmonth-old government comes at an inopportune time, only days ahead of a

global offering of 22 per cent of Portugal Telecom. Financial markets were virtually at a standstill early yesterday, awaiting clarification from Mr Sonsa Franco, a

respected economist. The decision to relieve popular football clubs such as Benfica and Sporting Lisbon of their tax debts has touched a nerve in a country where national tax and social security arrears total an estimated Es1,100bn (\$7bn) - almost

double the budget deficit - and Mr

struggle to pay their taxes or suffer penalties for getting into arrears feel they are getting a raw deal," said one tax consultant. "Politicians are seen as afraid of the

power of soccer clubs who spend fortunes on new players but simply ignore the tax man.

Last week the government signed a pact with the football federation under which all income from the state-run football pools system will be transferred to the soccer clubs to help them pay their tax arrears.

They had previously received only half; the remainder went to charity and welfare bodies.

The government will maintain the Sousa Franco has been directing a same level of payments to the charities clampdown on widespread tax evasion. – in effect, losing income equivalent to

"Businesses and individuals who the clubs' tax arrears of Es15bn

The Socialist initiative is the fourth government attempt in less than a decade to persuade football clubs to pay their taxes.

An unsuccessful attempt two years ago involved a threat to seize and anction assets belonging to the league champions, FC Porto.

Mr Sousa Franco, who appeared to have been surprised by the scheme, has reacted by ordering a rigorous audit of the clubs' debts. The issue highlights a split in the government between Socialist party members and independents such as Mr Sousa Franco.

Mr Daniel Bessa, another independent, resigned as economy minister in April in a row over Sunday shopping

Islamist party's no-confidence motion increases chance of early election

Turkish MPs set up showdown vote

Turkey's parliament yesterday voted overwhelmingly to hold a no-confidence vote later this week that could bring down the three-month-old minority conservative coalition government of Mr

Two thirds of the 550-member parliament voted in favour of holding the debate, in spite of a surprisingly strong showing by the Islamist opposition Refah party in local elections on Sunday. Parliament is expected to begin debating a no-confidence motion on Thursday, although the vote itself is likely to be held on Saturday.

Mr Necmettin Erbakan, Refah's

leader, said yesterday "this shows again that the public wants Refah in power. If last December's inconclusive general

Yilmaz insists on staying, he will be elections, making it the largest party in removed forcibly." Refah took 33.5 per parliament. Mr Yilmaz's fractious coali-

'Ciller is a marked woman. She cannot be the leader of this party [True Path] from now on'

cent of the votes in 41 districts on Sun-tion with Mrs Tansu Ciller's rival conday, against 20.9 per cent for Mr Yil- servative True Path party, sealed in

Although only 482,000 people voted, pollsters said Refah could repeat this performance in a national election, pos-

sibly winning a parliamentary majority.

maz's Motherland party which came in March, began unravelling in April after Motherland MPs supported Refah demands for parliamentary investiga-

tions into corruption allegations They made no secret of their inten-

prime minister in January as required under the two parties' power-sharing formula. She and Mr Yllmaz are fight-

ing for control over the centre-right. True Path MPs now appear to be mutinying against her leadership, following the poor results in Sunday's election. True Path took just 12 per cent pf the vote. Mr Cavit Caglar, a leading party dissident, told the newspaper Hürriyet that "Çiller is a marked woman. She cannot be the leader of this party from now on." Mr Yaşar Dedelik, a True Path cabinet minister, is also agitating against her by reportedly calling for an meeting of the party's executive board to oust her as leader.

Polish board of sell-off fund sacked

By Christopher Bobinski

The Polish government has moved to bead off the threat of growing disputes involving foreign participation in the country's Mass Privatisation Programme and dismissed the local supervisory board of one of the national investment funds set up under the scheme.

magnetic extraction

Peasant party, the junior partner in the ruling coalition, who has often criticised the at a fee of 20 zlotys (\$7.50). programme for giving foreigners too much influence.

Under the programme, equity in around 500 stateowned companies has been handed to 15 investment funds, each run by a manage-ment company combining The move was immediately local interests with foreign

Pawlak, the head of the Polish tract. Around 13m Poles have taken up the offer of ownership certificates in the funds

The government has now dismissed the supervisory board of Fund 13; the board had threatened to terminate the managerial contract of Regent Pacific, a Hong Kongbased fund manager, and Yamaichi of Japan.

attacked by Mr Waldemar partners, with a 10-year con- Marek Bryx, recently Perella and New England

sory board of the listed Warta insurance company, had repeatedly accused the fund managers of failing to live up to their promises. Regent Pacific and Yamaichi said their right to manage was

being infringed by the board. Mr Wieslaw Kaczmarek, privatisation minister, was already facing a dispute over The board, headed by Mr Fund 11. In April, Wasserstein

appointed to head the supervi- Investment of the US were dismissed as managers of Fund 11 by their Polish partners – KNK Finance and Investment. The dismissal of Fund 13's board pre-empts another dis-

missal of foreign managers.

Talks are under way over compensation for Wasserstein Perella and New England Investment, and the quashing of the negligence charge the supervisory board used to jus-

OUR STRATEGY

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TEAMWORK. NATURAL FLAIR PERFECTED BY PRACTICE. IT'S ALL PART OF OUR OVERALL APPROACH. TO HELP MAKE major sporting events like Euro 96 RUN SMOOTHER. YOUR OFFICE TOO. SO ECOLOGY AND EFFICIENCY GO HAND IN HAND. PRODUCTIVITY LEADS TO MORE LEISURE TIME. PLEASURE AND PROFIT SHARE EQUAL RIGHTS. LIFE'S A GAME. AND EVERYONE CAN BE A WINNER. WITH

THE RIGHT STRATEGY. OURS. AND YOURS.

SO, TOGETHER, LET'S CARE.

Battle lines drawn up on key issues

The ideological battle lines at yesterday's opening sessions of the United Nations conference on urban development fell between western countries and mainly Islamic and Asian countries alarmed by calls for greater local government accountability, women's rights and protection of the environment which they see as undermining development.

The conference has an agenda bringing together the findings of earlier UN sum-mits, including last year's women's conference in Beljing and the 1994 population summit in Cairo.

Habitat II will take up issues linked to housing, poverty and the environment in the 21st century, when more than 3bn people are expected to live in towns, including the disputed issue of whether housing is a human right.

Western countries are wary of a declaration that would enable individuals to sue a government for not providing housing, while developing countries say western countries should share responsibility for clearing up poverty.

Mr Boutros Boutros Ghali, UN secretary general, opened the 10,000 delegate conference calling for "a global plan of action that embodies our vision of human settlements for cities, towns and villages that are viable, safe, prosper-ous, healthy and equitable".

Agreeing on what that vision should be will not be easy. Mr Michael Stegman, assistant secretary at the US Department of Housing and Urban. Development, said "the principles of sustainable development need to be [emphasised]. You cannot make economic development the engine that threatens the foundations of life itself."

Like the European Union and many democratic countries in the developing world. the US emphasises environmental protection, devolving authority to local government as well as economic growth in its view of urban development.

However, an EU official said, "this is being opposed by countries from the Islamic world,

Asia and especially China."
He said China opposed adoption of principles that encouraged political activism at local level or placing obstacles in the way of rapid urbanisation. "When we talk about popula-tion, and growth and urbanisation we are really talking



Boutros Ghali: plan of action

Delegates said other fast growing Asian countries, together with some in the developing world, rejected adoption of principles that might interfere with their

growth-oriented policies. Islamic countries reject the emphasis on women's rights, such as demands by western development agencies they receive full property rights.

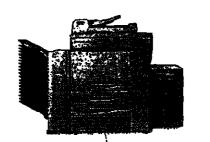
Yet a World Bank report said poor neighbourhoods could be transformed for as little as \$100 per head, if governments made the correct investment and pol-

Mr Ismail Serageldin, a World Bank vice president, said "community involvement in both the planning and maintenance of urban projects is the key to their success".

Private companies were notable by their absence at the conference, especially the big European and US utilities that are emerging as multinational corporations with operations in the developing world and the former Soviet

Mr Martin Rakotonaivo, assistant director of international relations at US Biotech, a New Jersey-based environmental engineering company, reports "zero" interest by con-ference delegates in his com-pany, which uses biotechnol-ogy in waste disposal systems.

The Sharp SF-2050 copier. Think of it as a Porsche 911 for accountants.



SHARP

Libya trapped in inertia by 'curse of oil'

James Whittington finds an economy as much undermined by mismanaged abundance as by sanctions

long the sandy Tunisian coast road to the dreds of free marketers who wave wads of green notes with great enthusiasm at passing traffic. Whether you are travel-ling in or out of Libya these are by far the safest money-changers if you need to buy or sell Libyan dinars. At Tunisian road-side prices, a dollar will buy about three Libyan dinars. Inside Libya, the official rate fetches 10 times less and a death penalty awaits anyone caught changing at any other.

In spite of the risks, a vigorous black market has helped keen Lihva's economy affoat since the imposition of limited UN sanctions in 1992. Although government officials and diplonats get noticeably uncomfortable when talking about exchange rates, all prices in Tripoli's well-stocked shops are quoted at the parallel market rate and most wages are calculated against the dollar.

The four-year embargo on flights to and from Libya and the ban on sales of aircraft parts and specialised equip-ment for the petrochemical sec-tor has undoubtedly caused inconveniences to development in Libya. But unlike the more or less blanket UN sanctions on Iraq, the economy is far

ernment is free to sell all its oil - which makes up more than 90 per cent of export receipts -and Libyans can import virtually all other commodities and

Predictably, however, most Libyans blame the embargo for their current difficulties. Whether it is the exchange rate problem or the negative growth of the past few years, sanctions are a convenient scapegoat.
They have certainly helped

increase average transporta-tion costs and contributed to an inflation rate estimated at between 20 and 60 per cent a Far more damaging, how-

ever, has been the long-term effect of the government's own economic policies. A combination of extensive controls, complex regulations and largescale spending on "populist" projects has persistently eaten into the country's wealth and reduced real incomes. Since 1992, real gross domestic product has been shrinking

on a per capita basis from \$3,048 to \$7,421 this year. according to the International Monetary Fund's most recent While in comparison to its neighbours this may seem high

it is nearly 10 times more

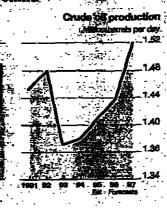
Libya: getting left behind

that in Tunisia - little has trickled down to the majority of the 5m Libvan nationals. "Our worst curse is our oil," said one Libyan economist privately. "This is what perpetuates the status quo. While we can earn easy money from oil

diversify the economy.' With proven oil reserves expected to last 100 years at the current rate of production of about 1.4m barrels a day, Libya remains a magnet for the world's oil companies. American companies are banned by their own government from investing in Libya so the

there is no incentive to encour-

age the private sector and



big players are nearly all Euro-pean such as Italy's Eni-Agip, Spain's Repsol and France's

This could change if a sanctions bill, currently being debated in the US Congress becomes law. It is designed to strengthen sanctions on both Libya and Iran by imposing sanctions on companies developing the two countries' petro-chemical sectors - including restrictions on trade and loans with the US.

The Libyans have begun to brace themselves by building up their foreign exchange reserves and imposing new

luxury goods. The European oil companies have complained bitterly about the American plans and the European Com-mission has threatened legal action. Meanwhile, there is as yet no sign yet of Europe's interest in Libya diminishing.

The oil companies are cer-tainly annoyed at the US moves but as far as we can see the Europeans are still fighting tooth and nail for more expo-sure to the oil and gas sectors," said one senior diplomat in

Like the oil-producing states in the Gulf, one of the consequences of Libya's "oil mentality" is its reliance on hundreds of thousands of migrant workers who dominate the service and construction sectors. Restaurants and hotels in

the two main cities of Tripoli and Benghazi are run by Moroccans and Egyptians while the streets are cleaned and cars washed by workers from Chad and Mali. In the schools. Libyan children are taught by Iraqis and Sudanese. while the Russians and South Koreans assist with the country's military and infrastructure development.

With an estimated unemployment rate among Libyan nationals of about 20 per cent. the presence of about 1.5m forpopular resentment. In the face of social tensions towards the end of last year, Colonel Muammer Gadaffi, the Libyan leader, threatened to expel im workers. Tens of thousands did in fact leave, but as with similar purges, others have since begun to fill their places.

Another familiar outcome of the country's oil wealth has been the mismanagement of government revenues. Although all new investment projects have been frozen since the sanctions, Col Gadaffi's grandiose dream to complete his great 1,000km man-made river continues to be pursued Last month. South Korea's Dong Ah Construction Industrial Company won a \$10bn contract to build the last phases of the scheme, which taps underground water from the Sahara Desert, by the year

independent technical assessments have questioned the sustainability of the system. Nevertheless, a huge cele-bration is planned for September 1 this year when the taps are due to be turned on for the first time in Tripoli

Like all big celebrations in Libya, there will be many invited foreign guests who will have to make the most of the

Bahrain accuses Iran of plotting armed revolution

Bahrain yesterday accused Iran of plotting with a "terrorist" group to overthrow the Gulf state's government by force, Reuter reports from

It said it was recalling its ambassador to Tehran, Iran's capital, and downgrading diplomatic representation. "A serious conspiracy has

been uncovered which reveals that an organisation known as the military wing of Hizbollah-Bahrain, together with Iranian authorities, have been plotting since early 1993 to undermine Bahrain's security and stability." the interior ministry said.

It was the first direct accusation of Iranian involvement in the mainly Moslem Shia-led unrest which erupted against the island state's government in December 1994. Iran has denied any role.

"The movement's main aim is to stage an armed revolution to overthrow the Bahrain government by force and replace it with a pro-Iranian regime," the ministry added.

Bahrain has shared information about the plot with its Arab allies in the Gulf and yesterday Bahrain's Emir Sheikh Isa bin Sulman al-Khalifa sent envoys to other Arab states to

Several Arab states have accused Iran of trying to export its 1979 Islamic revolution and supporting and financing violent Moslem militant groups. Iran has also denied

these charges. The ministry said: "The principal defendants, together with others, founded the terrorist organisation in the city of Qom in... Iran, under the guidance and with the full financial and resource backing of Iranian

authorities . . . "Some young Bahraini recruits [who joined] the organisation were subse-

quently trained on terrorist methods, including the use of weapons and explosives, at Iranian Revolutionary Guard corps camps in Iran before moving to Hizbollah camps in Lebanon," the ministry added. Mr Mohammad Ibrahim al-Mutawae, Bahrain's information minister, said Bahrain was recalling its Tehran ambassador and would downgrade its

representation in Iran to the level of charge d'affaires. He said 29 Bahrainis had confessed to links with the organisation and several people were still being questioned.

• Gulf Arab states have efforts to develop weapons which the US says far exceed its defence needs, Reuter reports from Rivadh. The six-nation Gulf Co-operation Council (GCC) said on

Sunday that Tehran's arms programme was a threat to the The remarks, at the end of a foreign ministers' meeting in

Riyadh, the capital of Saudi Arabia, reflected a change in the GCC's often cautious tone towards Iran.

"It is a clear change from the previous statements like we all have to live together'," said

sounded alarm bells over Iran's a western expert on Iran's rearmament plans.

West D

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The change of tone appeared to move the GCC stance closer to that of the US, the Gulf Arabs' main ally, which has accused Iran of seeking to acquire weapons of mass destruction and of sponsoring terrorism" abroad.

Washington also claims Tehran poses a threat to world shipping by deploying missiles in and around the Gulf.

Iran says its defence spend ing is less than that of Saudi Arabia, the largest customer in the region for US arms and an emerging military power.

INTERNATIONAL NEWS DIGEST

'Steady flow' of Iraq smugglers

US-led multinational patrols had diverted one sanctionsbusting ship trying to smuggle diesel fuel or dates from Iraq every three to four days on average so far this year, a US navy

spokesman said yesterday.

"It is substantially high in terms of numbers, especially in November and December. Since the beginning of the year there has been a steady flow. We are diverting one vessel every three or four days on average," Commander T.

McCreary said.

He added that eight vessels, four carrying diesel fuel and four dates and fertiliser, were diverted in the past month. Some tried to escape into Iranian territorial waters, but were

So far this year 36 vessels from Iraq - which last month reached a deal with the United Nations on a partial resumption of oil exports - have been diverted for violating

Kaunda's top aides held

Zambian police yesterday arrested four key aides of former president Kenneth Kaunda, a day after five men were detained in connection with a series of bomb blasts, officials of Mr Kaunda's party said. Mr Malimba Masheke, chairman of the United National

Independence party (Unip), said Mr Kaunda's deputy in the party, Mr Inyambo Yeta, was among the four and that further arrests were expected.

"We have received information to the effect that the government is planning to swoop on the entire leadership of the central committee of our party." Mr Masheke told a news conference. On Sunday police arrested five men in connection with recent explosions at the official residence of President

De Klerk outlines agenda

Frederick Chiluba and the offices of a state-run newspaper. Police have said other suspects were at large. Reuter, Lusuki

Mr F.W. de Klerk, South African deputy president, set the agenda for his new role as opposition leader yesterday, promising President Nelson Mandela a tough fight on economic policy and post-apartheid transformation. Mr de Klerk, a member of every South African government since April 1978, said he was proud of the role his white-led National party had played in Mr Mandela's transitional government of national unity since May 1994.

But he touched on all the primary concerns of his white Afrikaner minority, which negotiated itself out of power between 1990 and 1994, when he listed the issues on which he would attack the ANC. Education, crime, affirmative action and the post-apartheid Truth and Reconcillation Commission would come under close scrutiny, he said.

The National party cited similar concerns in its successful campaign for last week's local elections in the Western Cape, the only one of nine provinces not dominated by a black Reuter, Cape Town

Moroccan siege stand-off

Moroccan riot police yesterday reinforced their slege of a trade union building in central Rabat where a sit-in by hundreds of jobless graduates demanding jobs entered its third week.
Witnesses and union officials said dozens of riot police came
to prevent the strikers from leaving the Rabat headquarters of

the Moroccan Labour Union, where the strikers have been holed up since May 20. More than 1,000 men and women are estimated to be packed into the three-storey building. They are crammed into every available space, including the cellar and roof, where dozens of

youths could be heard yesterday chanting slogans and waving The latest stand-off between the jobless graduates and police comes amid rising social discontent in Morocco. The two main trade unions have called a general strike for tomorrow to try to force the government to honour previous commitments to raise wages and respect union rights.

The first transfer of the first first the first transfer of the fi

Code of conduct for toy makers meeting in Brazil to back the to a belief "in the fair treat- that are "well ventilated and

By Robert Taylor in London

Representatives of the world's ensure products are manufactured in safe and healthy con-

The agreement, announced yesterday, follows substantial pressure from the international trade union movement which has focused on toy making in its campaign to improve labour

The International Council of Toy Industries, which repre-sents companies globally, said it had voted unanimously at a

I UNITED STATES

code, which would apply to ment and lawful compensation well lit", and where "no unreasuppliers, contractors and protoy companies are to adopt a ducers as a condition for all code of conduct designed to contracts and letters of credit. "The new code is based on the long-standing working practices of our members."

said Mr Graham Benison, chairman of the Toy Manufacturers of Europe. "It is a major achievement to have secured its adoption by the toy industry worldwide. We will continue to work hard

to ensure the code is effectively enforced wherever toys are made." The code commits companies toys wholly or in part". That means employees "must show up for work voluntarily, not be put at risk of harm and be compensated in accordance with all applicable legislation".

The code adds that contracts "may be cancelled and damages assessed" if on-site inspections by the industry find the use of forced or under-age labour and dangerous working conditions. It also says toys must be made in workplaces

of workers" and a pledge that sonable mental or physical dis-"no forced or underage labour ciplinary practices are should be utilised to produce employed". Workers should have "adequate medical assistance in the case of emergen-The use of part-time or tem-

porary labour is to be governed by local regulations and maximum hours and wage rates must comply with applicable national legislation.

The code is to be translated into Chinese, "in recognition of the significant role of Chinese factories in supplying the global toy industry".

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

| | | | | | | | - - . | | | | | | _ | | |
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TERMINE HELD

in Washington

The US index of leading indicators rose for the third consecutive month in April suggesting the economy will grow robustly in coming months.

Separately, purchasing managers reported a surge in an index measuring price pressures in manufacturing industry, and the Commerce Department announced a larger than expected gain in new construc-

tion spending.
The figures followed reports last week of a big increase in home sales that prompted spec-ulation in financial markets that the US economy was gaining momentum faster than expected. Some analysts now predict the Federal Reserve could raise short-term interest rates at its next policy meeting

The leading index is designed to predict changes in economic activity six to nine months in advance. The recent string of increases was the longest since autumn 1993, when the index gave advance warning of a surge in economic

prompted the Fed to tighten monetary policy aggressively. The index rose 0.3 per cent in April, following a revised 0.3 per cent gain in March and a 1.3 per cent leap in February.

The overall purchasing managers' index fell slightly last month to 49.3 per cent, against 50.1 per cent in April. Most economists had expected the index to rise modestly, reflecting a mild expansion of manufacturing output. However, financial markets

focused on a sharp increase in an index of inflationary pres-sures. The "prices paid" com-ponent rose to 50.8 per cent mainly because of increases in prices of agricultural products. This followed nine months in which price pressures, as mea-sured by purchasing managers, had appeared to ease.

The Commerce Department said construction spending rose 1 per cent in April to a seasonally adjusted annual rate of \$551.7bm. In the first four months, construction spending averaged 5 per cent higher than in the same period

McDonnell Douglas faces strike threat

By Richard Waters in New York

The 6,700 workers in McDonnell Douglas' St Louis aircraft manufacturing plants are set to go on strike from tomorrow, marking the latest outbreak of labour unrest in

the US about job security. The members of the International Association of Machinists and Aerospace Workers voted on Sunday to reject a new four-year contract, setting

the stage for a walkout. The unrest at the plants, which make military aircraft, echoes a strike by members of the same union at Boeing late last year, as well as the dispute which brought General Motors' assembly lines in North Amer-

Each dispute has centred on

more parts from suppliers rather than make them in-house. The US's big manufacturing unions fear these moves would shift jobs to lower-paid, non-unionised workers. The Boeing strike ended in a partial victory for the machin-ists when the company agreed to set limits on the extent of its

plans by employers to buy

out-sourcing. Mr Jerry Oulson, head of the union's District 837 in St Louis, which represents the McDonnell Douglas workers, pointed recently to the greater job security won by the Boeing workers as a model of the assurance his members wanted. "Workers are losing thousands of jobs while McDonnell Douglas enjoys some of its highest profit levels

ever," he added.

Dole seeks lift for campaign

Republican standard-bearer hopes for Senate progress on bills

By Jurek Martin, US

Mr Bob Dole, the presumed Republican presidential nominee, enters his last full week as a US senator with only limited hopes that it will be crowned by votes useful to his campaign for the White House. The first order of Senate

business yesterday was the start of debate on the antimissile defence bill, which the Republicans call the Defend America Act and which is designed to revive President Reagan's "star wars" programme of the 1980s. But its prospects have been

clouded by a Congressional Budget Office report that it could end by costing as much as \$50bn to install - far more than its Republican sponsors had estimated. The CBO analysis forced the postponement

House of Representatives on

Mr Dole also intends to bring to the floor, later in the week, the proposed constitutional amendment to balance the federal budget in seven years. This passed the House last year but failed by a single vote to secure the required twothirds majority in the Senate. He has already virtually con-ceded little chance of approval

this time, but hopes for maximum election mileage from a symbolic vote. Last week, a group of senior Republicans from both chambers wrote to President Bill Clinton warning that "failure to do everything would send a clear signal to the American people that you place politics above country." Still unresolved by the Sen-ate are the elimination for the

a gallon tax on petrol (as Mr Dole wants), an increase in the federal minimum wage (a Democratic priority), and another Republican proposal aimed at limiting the collective bargaining power of trades unions.

Two weeks ago, the House approved the first two measures, with the minimum wage vote constituting a substantial defeat for congressional conservatives. But Mr Dole had been holding out for all three to be taken as a package, partly to invite a veto from Mr Clinton. The result has been a legislative stalemate.

Mr Dole's last day in the Senate, where he has served since 1969 after eight years in the House, will probably be next Tuesday, but could be later this week, depending on Senate action. He has promised only brief farewell remarks

two weeks ago of a vote in the rest of the year of the 4.3 cents and said he wants no great ceremony to mark his departure.

> This would be in keeping with his new campaign image as "a man of the people". rather than a Washington insider, though his colleagues in the notoriously sentimental Senate may have other ideas. So may Mr Clinton, though one of his more controversial cam-paign TV commercials has called Mr Dole "a quitter" for resigning his Senate seat.

The race to succeed Mr Dole as Republican leader in the Senate, a post he has held since 1984, has narrowed down to the two senators from the southern state of Mississippi. Mr Trent Lott and Mr Thad Cochran. The odds appear to favour Mr Lott, now Mr Dole's deputy, though the more modthe Senate for 10 years longer.

Venezuela agrees IMF deal

By Raymond Colitt in Caracas

Venezuela yesterday agreed a memorandum of understanding with the International Monetary Fund over its eco-nomic stabilisation and structural adjustment programme paving the way for final approval of a \$1.4hn stand-by loan later this month.

month after Venezuela imple mented a package of reform-oriented austerity measures. Mr Michel Camdessus, IMF managing director, who has met representatives of the gov-ernment, industry and labour during his present three-day visit to Venezuela, endorsed the reform efforts of President Rafael Caldera's government. He expressed confidence that

the programme would produce results soon. "I have no doubt that inflation will decrease, investor confidence will be renewed and Venezuela will embark on sustainable development," said Mr Camdessus. The planning ministry says the agreement stipulates a bud-get deficit of 2 per cent of GDP for 1996 (1.2 per cent for 1997), an inflation rate of 86 per cent by year-end (25.8 per cent for 1997), and economic growth of negative 1.1 per cent for this





Concessions made: Michel Camdessus (left) of the IMF and President Rafael Caldera of Venezuela

blocks to an agreement was overcome when Venezuela American Development Bank. agreed to IMF demands that it Provided Venezuela adheres meet overdue debt obligations by year-end.

has further pledged to re-start its stalled privatisation programme, reform a costly severance payment system, and restructure the struggling year, rising to 4 per cent for financial sector, for which the One of the final stumbling government will receive finan-

cial aid from the Interto the established targets, it could qualify for an extended loan facility within one year, though economic authorities have indicated that the government hopes to have alleviated

its fiscal problems by then. Mr Caldera has had to renege on his pledge to resist increas IMF demands, but the accord is prices.

seen as a face-saving compromise for his government.

"The IMF has ceded on a number of Venezuelan

demands, such as stronger social programmes," said a senior official in the planning ministry, adding that the IMF had heeded the government's warnings of potential social unrest and agreed to a gradual

US merger guidelines proposed

By Patti Waldmeir in Washington

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國籍監禁 (M244) 四次國

Federal Trade Commission, the US government regulatory agency, yes terday proposed changes in US merger guidelines to make it easier to justify mergers on the

basis of cost savings. Present guidelines focus more on the possible effect of mergers on price, rather than on the competitive effects of

cost-savings. Anti-trust lawyers said the new guidelines, recommended for adoption by both the FTC and the Justice Department, are unlikely to unleash many new mergers, as they broadly reflect current practice in both

Ms Janet McDavid, an antitrust lawyer at the firm of Hogan & Hartson in Washington, said the "best staff" at both organisations already take efficiencies into account when determining whether a merger is anti-competitive. "But it's not uniform, either within the FTC or between organisations," she said.

In banking, cost savings have already been used to justify some recent mergers which have led to much consolidation. The guidelines, if dopted, "would not so much take transactions which are illegal today and make them legal, but would reduce or even eliminate the level of divestitures required" to meet FTC demands, said Mr Rodgin Cohen, a New York anti-trust lawyer who specialises in

banking mergers . The proposed guideline changes are unlikely to have affected any of the recent highprofile mergers at which the FTC has balked, including a merger of Rite Aid and Revco. the US drug store chains, abandoned after FTC complaints, or the proposed merger of Time Warner and Turner Broadcast-

ing System.
The 300-page report, pre-pared after public hearings, recommends closer scrutiny of the way mergers affect the development of new products, to ensure active competition in

Changes in The selling of a Brazilian super-state

Angus Foster and Jonathan Wheatley assess progress of privatisation in São Paulo

t is a measure of the economic might of São Paulo state that Governor Mário Covas can talk about privatising the state's three electricity companies to pay off \$10bn of . their debts, and still have

\$10bn left for investment. The Brazilian state, with an economy roughly the size of Argentina's, is home to some of the biggest power companies in the developing world. It also has 30,000km of good highways and a population, with an average annual income equivalent to more than \$4,000, which is increasingly demanding better

services. What the state government does not have is money. São Paulo generates about 40 per cent of Brazil's tax revenues

long-term ally of Brazil's President Fernando Henrique Car-

ment," he said in an interview

but its bloated bureaucracy, and huge debts of about \$68bn. accumulated under previous governments, mean invest-ment had to be cut last year by 80 per cent to less than \$300m just to balance the budget. The need to raise cash explains why Mr Covas, a

privatisation, is now keen to attract private sector invest-ment. "The political climate and public opinion are very favourable. In the energy sector, we're further advanced than even the federal govern-

Mr Covas, who is to present

assets may be turned into new companies. The aim is to create six generators, a transmission com-

pany and 11 distribution companies. The state is only interested in retaining control

CPFL - are being unbundled months. This is not a project so their various generating, transmission and distribution which involves party politics. I'm sure the PFL will vote in favour in large numbers."

If approved, the first of the

new companies could be ready for sale this year, but the more attractive concession areas are likely to take longer. A key question is regulation, since

Governor Covas is keen to attract private investment: Political climate and public opinion are very favourable'

seminar in London on Thursday, has plenty to be keen about. His energy secretary, Mr David Zylbersztajn, esti-mates that 100 potential foreign investors have paid calls in the last year, such is the potential interest in the

Mr Zylbersztajn, who is Mr Cardoso's son-in-law as well as an electricity specialist, is uring of the state's electricity sector to prepare for privatisation. The three existing companies - CESP, Eletropaulo and

his privatisation plans at a of the transmission company, the federal government is to ensure equal access for the distributors.

The biggest short-term ques-tion mark over the project lies in São Paulo's state assembly, which must approve the restructuring. Mr Covas's Social Democracy party (PSDB), which has only 26 of the 94 seats in the house, was in coalition with the Liberal Front party (PFL), which gave him a governing majority, but that ended last week.

Even so, he is confident electricity privatisation will be the newly privatised compa-approved in "one or two nies. The shares could be

drawing up new rules for Brazil's electricity sector, as well as for new entrants such as

independent power producers. Although regulatory uncertainty may deter some investors, as happened last month in the successful privatisation of the Rio de Janeiro distribu-tion company, Light, Mr Zyl-bersztajn is sure his programme can go ahead. One option is to create golden shares to let the state set conditions on quality of service in

the federal government's new regulatory framework later. Even if the central government doesn't finish its regulations in time, we can still go ahead," Mr Zylbersztajn says.

Privatisation of highways is already under way. The plan is to sell 22 concessions to manage 5,000km of the state's best roads; Mr Covas hopes 70 per cent of the concessions will be sold during his government, which runs to the end of 1998. Mr Plínio Assemann, São Paulo transport secretary, says private concession holders will invest 5bn Reals (\$4.8bn) in highway improvements during the first 20-year contracts. The first concession, to manage and improve a system of two parallel highways running 150km north-west from São Paulo

city, should be awarded by With the first contract awarded, Mr Covas hopes more will follow quickly. "It took some time to get the first con-cession moving because it was now run several privatisations

doso and a recent convert to Chileans put time at centre of education

Longer hours are seen as a lesson for other would-be reformers, writes Imogen Mark

ducation systems are acknowledged to be fail-ing across Latin America, damaging the region's ability to compete in high-value international trade and

nindering social mobility. Now, measures taken by elected governments in Chile since they took over from the military in 1990 are being held out by educational experts as pointing the way forward for the rest of the region.

Mr Alan Angell, an academic from Oxford in England, who has completed a study of Chilean reforms, argues that the failings of education systems are similar for most countries. The Chilean experience provides a number of general lessons for would-be reformers elsewhere," he said. According to Mr Sergio Molma, Chile's education ministhe process will be completed next year when children get an extra three hours a day at school. This will bring the average hours of schooling close to the levels of industrialised countries.

"This is the culmination of a process of reforms which we began in 1990, with changes in teaching methods, new texts, classroom libraries and computers. But we reached the conclusion that the only way to take full advantage of all this investment was to extend the school day," said Mr

Most state schools, which cater for more than 90 per cent of children, offer only a fivehour day, and teachers often work two and even three The new timetable will

demand an extra investment

equivalent to \$1.4bn over the next five years, the education

ministry said. More than half the money will go for 20,000 new classrooms, but there will be extra funds to train teachers, and more teachers. There is also a plan for 40 highperformance schools in large towns for bright children from

The extra money will come partly from savings in other parts of the budget and partly from postponing a planned reduction of a percentage point in value-added tax, the government's main source of

I hile has been experimenting with ways to ✓ improve schooling through a special programme part-financed by the World Bank. A bank team was in Santiago last month evaluating a 21/2-year programme covering almost all 8,000 state

Experton, the team leader, said it was impressed. He said no other country the team visited had "gone so far in changing educational practice in the classroom." The team stressed the new

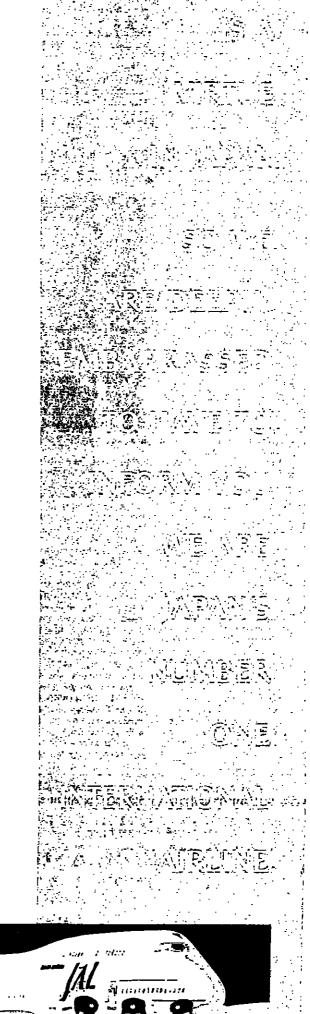
access of the children to books, and the stimulus to read, as a result of providing small basic libraries in each classroom and from three to five textbooks for each child. Until now, most children in both primary and secondary state schools have had little or no access even to textbooks.

Another member of the delegation, Ms Himelda Martinez, was struck by the achievements of one-teacher, rural schools:"These can provide a good education, contrary to the perception in much of Asia, for example". The

primary schools. Mr William health programme, with screening to catch and treat hearing and vision problems. Bureaucracy may be a stumbling block. The school system was decentralised during the 1980s, but municipal authorities which run the schools are short of money and adminis trative skills. The ministry has overall responsibility for the

> An international advisory team, reporting last September, said schools were subject to competing and sometimes conflicting administrative powers.

Overall spending on education is also still much too low, said Mr Alejandro Foxley, president of the Christian Democratic party. Chile is spending \$133 a head, he said, compared with an average \$1,000 in northern hemisphere



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Japan Airlines

A BETTER APPROACH TO BUSINESS

Japan backs EU role in chip negotiations

Mr Ryutaro Hashimoto. Japan's prime minister, yesterday said a dispute with the US over renewal of the bilateral semiconductor accord should be resolved with the participation of the European Union.

The European Union has expressed its interest in participating [in the negotiations] so it is no longer a bilateral issue," Mr Hashimoto told US ambassador Walter Mondale

Mr Hashimoto's remark, which was made in response to Mr Mondale's suggestion that the two countries need to focus more on resolving bilateral trade issues, is the strongest indication so far that the Japanese government would consider a tripartite arrangement as proposed by the European

The US and Japan are at odds over whether to continue a semiconductor agreement scheduled to expire at the end

The US has interpreted the agreement as a guarantee for continuing improvement in the share of foreign semiconductor makers in the Japanese mar-

The Japanese government has persistently insisted that there is no need to renew the agreement, which forces government involvement in the

The EU, meanwhile, which criticises the bilateral arrangement as discriminatory, has been keen to ensure it does not

get left out of any deal between the US and Japan. As the agreement nears its

formulate a deal which has expiry date, the hardline stance of the Japanese government has begun to show signs

Mr Seiroku Kajiyama, chief cabinet secretary, indicated yesterday that the Japanese government would be ready to play some role in a semiconductor agreement, provided it did not involve numerical tar-

Mr Kajiyama's comments

Publicly, Japan's trade ministry insists the dispute should be resolved by the industries of the two countries.

However, the ministry of international trade and industry (Miti) is also aware of criticism that its hardline stance has not belped US-Japan relations. If the ministry was asked to co-operate with the industries efforts, it was prepared to lend an ear, one offi-cial said.

Employers

GE in Russian jet engine link

WORLD TRADE NEWS DIGEST

General Electric of the US yesterday said it had reached an agreement with Rybinsk Motors, the struggling Russian aerospace concern, to establish a joint venture to make jet engines. Rybinsk Motors, based about 400km north of Moscow is one of two Russian manufacturers of engines for wide-bodied aircraft. The company has cut production sharply in recent years as Russia's aviation industry has struggled to adapt to the market. Last year the Russian government sought to declare the company bankrupt and privatise the state's remaining 37 per cent stake. Management and local officials. blocked the deal.

Rybinsk-GE Aviation Motors, as the joint venture will be called, also will handle marketing and servicing of the jet engines in the Russian market.

Korean Air to boost fleet size

Korean Air, South Korea's leading carrier, plans to buy 20 aircraft from Boeing and 17 from Airbus Industrie over the next five years under a programme to almost double its fleet from 105 aircraft to 200. It has placed an initial order for two A330-200 airliners from Airbus for delivery in late 1998. Korean Air is planning to increase its capacity by 10 per

cent annually. The fleet expansion reflects expected strong passenger growth, with traffic predicted to increase by 12 per cent annually over the next few years.

The Korean carrier already has one of the youngest fleets in international service, with an average age of 8.1 years. In contrast to its domestic rival Asiana, with its all-Boeing fleet. Korean Air uses a wide range of aircraft from US and European manufacturers. They include 39 Boeing 747s and 33 of the Airbus 800 series, with smaller aircraft from McDonnell

Munitions groups join forces

Two state-controlled munitions and tank manufacturers -Giat of France and Otobreda of Italy - are to link up to build and sell 25mm gun-turrets for tanks, and to co-operate on the development of battle tanks.

Otobreda, which is part of Italy's Finneccanica holding company, said the agreement would start with the joint marketing of its Hitfist two-man turret, and Giat's Dragar one-man turret, which will be installed on an armoured car being developed by the French, Germans and British. The two companies said they would also co-operate on

mproving Giat's Leclerc battle tank, and Otobreda's Ariete ank, particularly in the area of on-board equipment. Both groups are trying to restructure and forge alliances to combat US competition and reduce the fragmentation of the European industry. Last month Giat announced it would have to reduce its 12,400-strong workforce by 2,700 by the end of 1998. Otobreda last year linked up with Wegman of Germany to build heavy artillery and Vickers of the UK to produce light

■ Iran will order 10 more oil carriers after taking delivery of the first of five 900,000-tonne oil tankers from Daewoo, the

South Korean company. South Korea's state-run Korea Land Development (Koland) has applied to build a 100 per cent foreign-owned industrial park in the Gla Lam district of Hanoi. A feasibility study carried out by Koland showed the 107-hectare park would house about 120 small and medium-sized South Korean enterprises. The companies' combined investment would be Reuter, Hanoi more than \$500m.

A mayor's tax plans fly into storm

os Angeles International Airport (LAX) is poten-tially one of the highestyielding cash cows in Mayor Richard Riordan's patch. But the beleaguered civic leader, who failed when he tried to privatise LAX two years ago, has now run into trouble with his efforts to milk it.

He has similar problems down the coast at the port, the main focus of the Californian trade boom which is predicted to bring 700,000 permanent jobs to the region by early next cen-

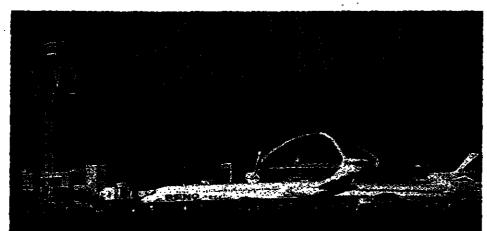
tury. Mr Riordan's budget proposal to siphon \$170m from the harbour, airport and local water and power utility to pay for extra police and public services has stalled in the face of opposition from politicians, the business lobby and academics. It has prompted legal action from the Californian state capital, and threats of punitive counters from Washington.

The sum may be small in relation to the \$4hn-odd budget he is struggling to push through the city council, but the drain on the financing abiltties and competitiveness of his targets - which have already handed over about \$400m since 1994 - is unsustainable, oppo-

LA has overtaken New York as the biggest US trading post, handling goods and traffic valued at about \$190bn a year. The airport last year funnelled a record \$58bn worth of cargo through its facilities, and revenues reached a peak of \$382m. More than a quarter of the LA metropolitan area's gross

regional product depends on

international trade - up from



Los Angeles International Airport: handled record \$58bn worth of cargo last year

13 per cent in 1972 - and all forecasts predict the trend will

Some 17 per cent of US air cargo passes through LAX, and passenger and cargo traffic is expected to double by 2015. Los Angeles port and the facilities at neighbouring Long Beach handle a quarter of all US seaborne trade.

These sea and air outlets, together with associated improvements to road and rail links, are the subject of expansion and upgrading projects with an aggregate budget of about \$9bn. "This represents the largest capital spending programme for trade infrastructure of any metropolitan area in the nation," according to Mr Steven Erie, a political science professor at University

College San Diego. Mr Erie, as vociferous in his support of LA's trade-based

expansion as in his opposition to Mr Riordan's projects, argues that all surpluses need to be ploughed back into these

One of the city's preliminary steps towards tapping LAX revenues - sharp increases in aircraft landing charges - made the airport "cash rich but uncompetitive", he claimed recently. Fees are double those at competing landing points in San Francisco, Phoenix and Seattle, he added.

Levies on the port, to correct underpayments in the past for fire and police protection and other city services, will force greater reliance on debt and reduce the facility's ability to finance development on a payas-you-go basis, Mr Erie says. Although the department of

water and power has no direct link with trade, inroads into its surpluses will further damage

the regional economy, Mr Erie says. The city's demands leave no room for the department to reduce debt or match rate cuts already signalled by private sector competitors lining up for the introduction of a free market in electricity in the

Mr Riordan, a Republican constantly at loggerheads with his powerful city council, has with this revenue-raising venture mobilised opposition far beyond city limits.

next few years.

The Washington-based Air Transport Association (ATA), the industry lobby group, spent more than \$350,000 on a local campaign against siphoning LAX revenues. Airport officials take the mayor's view that city services must be paid for, but they see the air carriers' point, "They are concerned that if something changes here [to release surpluses to the

urged to city] the same thing could hap-pen elsewhere," says one. Although LAX is owned and act on child operated by the city, federal workers law stipulates revenues may be used only for airport uses. City hall lawyers are now

tion that there are moves to

some kind of government

involvement, as the US insists.

but which steers clear of mar-

ket share targets that Japanese

The Electronics Industry

Association of Japan has writ-

ten to the US Semiconductor

industry Association with pro-

posals for industry-to-industry

co-operation and a meeting in

mid-June to discuss the possi-bility of a transitional three-

officials find so offensive.

working on a plan to levy a city fuel tax on airlines filling Employers should develop policies to eliminate all child labour and immediately "put up at LAX - a notion guaranan unconditional end to exploitative, bonded and danteed to bring the ATA down on the mayor's neck once again. gerous forms" of child labour. The state government, led by Mr Pete Wilson, a fellow according to the International Republican, has filed a suit Organisation of Employers, alleging the mayor's levy on the port is illegal, contravening regulations which demand surwrites Robert Taylor, Employ-ment Editor. The general council of the pluses go to port-related and fisheries causes. But in spite of

Geneva-based body that represents employer organisations in more than 120 countries, an outcry from the Steamship Association of Southern Califalso said yesterday it was opposed to attempts to link ornia, the port authority has already paid \$40m into the the issue of working children city's coffers in the past six with international trade. The organisation denounced as "counter productive" sug-

December's ministerial meet-

The council passed a resolu-

tion calling on companies to "encourage and work" with local and national govern-ments to develop and imple-

ment policies designed to elim-

inate child labour as well as

"promote access to basic edu-

cation and primary healthcare,

which are crucial to the suc-

ing of the WTO.

In retaliation, prompted by the business lobby. Washinggestions that trade sanctions ton politicians have launched should be imposed on countries where the problem of child labour existed. The couninitiatives to hamper the flow of federal funds for transport infrastructure development to cil said it saw no merit in the LA and to sharpen penalties introduction of a social clause for cities which divert airport to enforce labour standards in trade agreements and it opposed efforts to have the trade/labour link discussed at

But Mr Riordan, whose budget-balancing efforts have taken on the aura of opportunism at best and barrel-scraping at worst, remains steadfast.

Despite setbacks such as the council's block on his airport levy, he is preparing to fight back from his platform that LA's citizens have a right to an economic return from public investments and that the city's milch cows will be none the worse for the sacrifice.

Christopher Parkes child labour.

TENDER ANNOUNCEMENT

HUNGALU Hungarian Aluminium Industrial Co. Ltd. (H-1024 Budapest, Margit krt. 85.)
(hereinafter referred to as the "Contracting Party" or "Hungalu Rt.") invites bids in an open, one-round tender to sell a quota of its fully owned subsidiary, ALOXID Almásfüzítő Alumina Co. Ltd. (H-2931 Álmásfüzítő, Fő út 1.) (hereinafter referred to as "ALOXID Ltd.)

The registered capital of ALOXID Ltd.:

HUF 2.071.410 thousand

Bids may be submitted by specifying the bid price for a quota with a rounded nominal value of HUF 1.864.270 thousand, representing 90% of the registered capital of ALOXID Ltd.

A quota with a rounded nominal value of HUF 207.140 thousand, representing 10% of the registered capital, shall be separated by Hungalu Rt. from the quota representing a 100% stake, which shall, following the closing of the tender, pursuant to Act XXXIX. of 1995., be offered for sale at 50% of the accepted bid price to the employees of ALOXID Ltd., who may exercise this purchase option within 60 days from the date of publication of this offer. In the event the employees do not, or do not wish to exercise fully the option to acquire ownership in ALOXID Ltd., bidders shall be obliged to undertake to purchase the remaining quota as well on the conditions specified in their bid.

The purchase price may be paid in cash only, neither deferred payment nor payment in instalments will be accepted by the Contracting Party. Bidders may not use the E-loan facility. Foreign bidders may submit bids in which they determine the bid price in a foreign currency accepted by the National Bank of Hungary as a convertible foreign currency. Such bids shall be accepted by Hungalu Rt. at the foreign exchange purchase rate as officially quoted by the Hungarian Credit Bank (MHB) on the day corresponding to the submission deadline.

Participation in the tender is subject to purchasing, against signing a confidentiality agreement, for a purchase price of HUF 120.000 + VAT, or a corresponding convertible foreign currency amount calculated at the foreign currency buying rate quoted by the Hungarian Credit Bank (MHB) for the day of the payment of the above purchase price, the detailed invitation to tender as well as the Hungarian or English language tender documents including the Information Memorandum prepared by ALOXID Ltd. containing the major economic data deemed material to the tender. The documents referred to in the Information Memorandum are available in the Hungarian language.

The above HUF 120.000 + VAT amount, that is, altogether HUF 150.000 shall be payable in cash, or shall be transferred to the Hungalu Rt.'s account No. 10200971-20100690-00000000 kept by the Hungarian Credit Bank (Magyar Hitel Bank). The tender that the chartest artificate evidencing payment of the above amount.

The price of the tender documentation may not be reimbursed by Hungalu Rt. on no account.

The Contracting Party hereby draws the attention of the bidders to the fact that the total assets of ALOXID Ltd. are rented for the term until 26th December, 1998 + 6 months (shut-down period), and the tenant has the right of preemption.

The tender documentation shall be available at the Secretariat of the Privatisation Directorate of Hungalu Rt., in Room 419., at 85. Margit krt., Budapest, II.

from 5th June, 1996, on working days between 9 a.m. and 11 a.m. Telephone: 36-1-175-48-19, Telefax: 36-1-175-58-02

Bidders shall, as an earnest of their bid, deposit, not later than the final date of submission of bids, a bid bond of HUF 10 million to the account No. 10200971-20100690-00000000 opened for this purpose by Hungalu Rt. with the Hungarian Credit Bank Ltd. (Magyar Hitel Bank Rt.). Bidders shall provide evidence of payment of such bid bond upon submission of their bid. Any fees or bank charges payable for the transfer of money shall be borne by the bidder effecting payment.

Bids shall be submitted personally or delivered by a person holding a power of attorney, in the presence of a Notary Public, at the above address, between 9 a.m. and 11 a.m., on the 22nd of July, 1996, in 5 Hungarian copies, in a sealed envelope which bears no name of the sender, with the original copy marked as "original". Foreign bidders may enclose an English translation to the Hungarian version of their bid, of which the latter shall be deemed as the governing

Envelopes shall bear the marking:

"ALOXID TENDER"

Bids shall be evaluated on the basis of the conditions set forth in the tender invitation. The Contracting Party hereby reserves the right to declare the tender unsuccessful without any legal consequences.

Bidders shall recognise and accept that the winner of the tender shall, within 30 days from the date of notification of the award, enter into a purchase agreement with Hungalu Rt., and shall, if necessary, extend the validity of its bid and the maturity of its payment securities.

Participation in the tender shall be subject to the bidder undertaking to maintain its bid for 120 days from the date of

Information on the tender and on major data and characteristics of ALOXID Ltd. is available at: HUNGALU Rt., Dr. Pál Szabó, Chief Executive Officer, Telephone: (36-1)-156-1846, telefax: (36-1)-175-6494.

CONTRACTS & TENDERS

LESOTHO HIGHLANDS WATER PROJECT - PHASE IB

CONTACT LHDA 2007 MOHALE TUNNEL INVITATION TO PREQUALIFY

The Lesotho Highlands Development Authority (LHDA), a parastatal body constitutued under the Ministry of Natural Resources of the Government of Lesotho, is responsible for he implementation, operation and maintenance of the Lesotho Highlands Water Project (LHWP) within the boundaries of the Kingdom of Lesotho (KOL). The LHWP is a binational project between the KOL and the Republic of South Africa (RSA) and its purpose is to divert surplus water from the KOL to the industrial heartland of the RSA. The LHDA hereby invites prospective tenders to apply for Prequalification for Contact LHDA 2007, Mohale Tunnel, a part of the Phase IB development.

The Works will comprise approximately 32.0 km of concrete lined tunnel of excavated diameter approximately 4.6m with concrete lining thickness nominally 300 mm, associated access provisions, ventilation shafts, tunnel inlet and outlet works and other associated works. The route of the tunnel is through basalts of the Lesotho Formation occasionally intersectedby dolerite dykes. It is anticipated that the excavation would be performed by two hard rock tunnel boring machines.

The estimated value of the Works in Lesotho Maloti is M650 million (US \$150 million). It is expected that financing for the contact will be provided by way of export credit financing for foreign sourced supplies and services, and commercial financing for the local portion.

Construction is programmed to commence during the last quarter of 1997 and the Works are to be commissioned for the delivery of water by 01 January 20003.

Prequalification Documents will be available from 17 June 1996 and a Prqualification Conference will be held in Lesotho on 10 July 1996. Applications for Prequalification Documents, clearly stating organisations, person responsible and title, address and contact facsimile and telephone numbers should be made in writing to the Consulting Engineers at the following address:

The Project Manager Lesotho Highlands Tunnel Partnership (Mohale) Private Bag A394 MASERU 100 Lesotho

Att: Mr G A Featherstone

(+266) 310 256 Fax: Telephone: (+266) 314 685

The closing date for the receipt of completed Prequalification Documents at the offices of the Lesotho Highlands Development Authority will be 30 August 1996.

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FULLY WAY

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Mr Tung Chee-hwa: resigned

HK magnate may compete for top post

Mr Tung Chee-hwa, a shipping magnate, yesterday resigned from Hong Kong's Executive Council, the top advisory body to the governor, fuelling speculation that he will compete for the job of chief executive of the colony after its bandover to China in 1997.

The resignation comes a fortnight after Mr Lo Tak-shing, a solicitor and also a former ExCo member, publicly declared his intention to stand for the chief executive's post. In his resignation letter to Mr Patten, Mr Tung insisted that his decision to resign from ExCo arose because of a conflict of interest with his duties

the Beijing-appointed body overseeing the handover. Mr Tung was named vice-chairman of the Preparatory Committee in February.

The Preparatory Committee and Governor Chris Patten's government have clashed on several issues, most notably the creation of a provisional legislature that would, for a limited period, run in parallel with the existing elected legis-lature which China has pledged to disband immediately after the handover. Mr Tung denied his decision

as the colony will be known post-1997. However, his membership of ExCo was seen as incompatible with ambitions for the chief executive's job. Mr Tung has never formally

stated his candidacy, but in January Mr Henry Fok, an adviser commanding widespread respect in Beijing, gave him his backing. Mr Li Kashing, a property tycoon, has also endorsed Mr Tung, despite initial opposition to businessmen as leaders of the SAR. Both Mr Fok and Mr Li have business links with Mr Tung. was a necessary "clearing of the deck" before running for the job of chief executive of the for the post – in part because

retain Mrs Anson Chan as mentioned in the early days chief secretary. Other possible contenders include Mrs Chan herself, although her job as

Membership of ExCo is seen as incompatible with running for chief executive

stand against her, and Mr C.Y. Leung, a businessman who is closely linked with Beijing but has been quick to deny his interest.

Several Hong Kong tycoons

Per cent per annum

chief civil servant is likely to

ASIA-PACIFIC NEWS DIGEST

Matra quits Taipei metro

Taiwan's only mass rapid transit system broke down in Taipei yesterday after the French builder Matra Transport pulled its officials out of the country in a payment dispute with the city government, officials said. The elevated Mucha Line stopped operations for six hours and reopened only after one of its two controlling computers was repaired, a spokesman of Taipei

Mr Chen Chao-wei, transit company president, said Matra bad responsibility to repair the computer and a spare system which broke down at the same time. If it did not do so, the city government "would sue the French builder in France". Matra had said it was pulling its officials out of Taiwan to "protect the company's interest and cut expenses," after talks with Taipei's Department of Rapid Transit Systems failed over final

Matra demanded final payment and a return of the T\$500m (\$18m) performance bond it deposited to guarantee it would complete the metro system. But the rapid transit department argued some defects remained that needed to be worked out before it would give Matra final payment and the bond. When the talks broke down, the department foreclosed on the bond. and Matra announced its pull-out.

Thai inflation declines again

Thailand's inflation rate declined for the third straight month in May, with prices rising at a year-on-year rate of only 6 1 per cent, the commerce ministry reported yesterday. This rate compares favourably with first-quarter price rises averaging 7.3 per cent and April's 6.9 per cent. Analysts were impressed by the decline, because food prices, the driving force behind inflation for more than a year, often leap in May. But food prices rose only 9.1 per cent year-on-year then, against 10.4 per

If last year's flooding is not repeated, the annual inflation rate is expected to approach the finance ministry's 5.5 per cent target but not the central bank's target of 4.9 per cent. May's inflation rate may well indicate the central bank's tight money policy has taken a firm hold on prices. Inflation reached a four-year high of 5.8 per cent in 1995. The current account deficit in March, the last month to be reported, was a five-month high of Bt35.5bn (\$1.4bn). Ted Bardacke, Bangkok

Seoul scandal hits bourse

The Seoul bourse yesterday fell 1.2 per cent as prosecutors claimed several officials at South Korea's Securities Supervisory Board were allegedly involved in a corruption scandal. The Seoul general share index declined to 897.22 following Sunday's arrest of Mr Paik Won-ku, SSB chairman, on bribery charges. Concerns that an expanded investigation would damage the market were eased by an announcement from prosecutors that finance ministry officials who deal with stock regulation had been cleared of any wrongdoing.

Prosecutors have not offered many details in the first disclosed case of alleged corruption involving the SSB, the main government agency that oversees the Seoul bourse. The only specific charge brought against Mr Paek is that he allowed a small telecoms company to be listed on the exchange in return for an alleged payment of Won10m (\$12,690). More than 200 companies are seeking a listing, but the SSB has restricted the number of approved share offers because of fears that too many would soak up liquidity in the market and depress share prices.

Transition highlights role and rules of market

between the region's financial centres growing, Mr Joseph Yam is in something of a hot As chief executive of the Hong Kong Monetary Author-

ity (HKMA), Mr Yam is guardian of Hong Kong's financial stability as the territory and its markets confront the uncertainties of the transition. And as one of the main movers in institutional and regulatory reforms, he is at the forefront of Hong Kong's drive to secure its role in the face of competition from markets such as

Singapore and Shanghai.

For the moment, there is little to ruffle Mr Yam's calm demeanour. The Hong Kong currency has been on the strong side of its peg rate against the US dollar, a link established in 1983 after political worries prompted turmoil in the foreign exchange mar-

Spreads between yields on Hong Kong and US government paper are narrow, although somewhat wider for longer-term issues. The stock market has turned in a steady performance this year, while the property sector, which underpins the economy, is recovering from the downturn of 1994-1995.

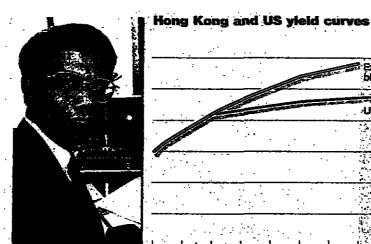
the the return of Hong Kong to Chinese rule fast approaching and rivalry

The message, says Mr Yam, is one of investor confidence ahead of the handover next year. And this has allowed the territory's de facto central bank to focus on broader

In the early 1980s we were involved in fire-fighting, rescu-ing banks and stabilising the currency. In the late 1980s we moved on to fire prevention," he says, referring to a re-organisation of Hong Kong's monetary system which granted a strong supervisory and managerial role to the HKMA. "Now we are in a different mode, to try to develop Hong Kong as an international centre."

Despite the present calm, however, pitfalls lurk on the path to such longer term goals. Political or economic shocks relating to the handover could quickly change investor sentiment, while speculators might be tempted to test the peg. "We are going to have a run on the currency later this year if my hedge-fund friends are to be believed," says Mr William Overholt, regional managing director of Bankers Trust. Some economists criticise

the peg, arguing that the sys-tem forces adjustments to be made through the economy rather than the exchange rate. In its annual report this year, the Asian Development Bank noted that the mechanism pro-vides little scope for an inde-



concluded the system would

"clearly need to be reviewed in

with China". Although the ADB stressed it was not calling for the link to be replaced, private economists point to the potential for growing strains. "Sovereignty is being transferred to China, but monetary sovereignty lies with the US," says one invest-ment banker. "This matters because China is now Hong. Kong's biggest economic part-

ready. Mr Yam may talk softly, but he carries a big stick. Hong the context of future relations Kong's foreign currency reserves totalled US\$59.8bn at the end of March, which combined with the government's healthy budget position, has helped deter assaults. Mr Overholt at Bankers Trust believes speculators would find it hard to sustain a challenge against the Hong Kong dollar. "I think they would lose a lot of money," he says.

Mr Yam sees no economic justification for an attack on

pendent monetary policy. It hand, the HKMA claims to be of a stable currency for Hong Kong's traders. As for the limits on monetary policy? "I don't mind having him in charge," says the HKMA chief, gesturing to a photograph of Mr Alan Greenspan, chairman of the US Federal Reserve. Of greater significance is China's backing for the cur-

C 2%

rency peg, which underpins its growing commercial interests in the territory. Mr Chen Yuan, deputy director of the People's Bank, China's central bank, last week indicated that Beijing would support the Should speculators try their the peg, stressing the benefits Hong Kong dollar in case of

governments and central banks to start things off." John Ridding

now appear to be non-starters.

been set for the selection pro-

cess, members of the Prepara-

tory Committee had indicated

that a decision was due in the

autumn. However, a top China

official has said more time may

be required to assemble the

400-strong committee who will

Yesterday, Mr Patten said both he and Mr Tung recog-

nised that at some point the

tensions between the two dis-

parate roles might become too

difficult to reconcile. "I made

clear that this would be very

much a matter for him to

decide...clearly that point has

speculative attack. One of his

senior colleagues also sought to reassure Hong Kong, flatly

rejecting the notion that China

could plunder the territory's

monetary and financial man-

agement, economic interration

- and Hong Kong's role as a

conduit of funds - is vital for

the territory's future as a

financial centre. Hong Kong is

the natural centre to supply

China's capital needs, esti-

mated by the World Bank at

more than US\$700bn for infra-

structure alone over the next

decade. But work needs to be

done in improving financial markets. "We don't have a very efficient system in China.

or for the region as a whole,"

says Mr Yam. To this end Hong Kong is

pursuing plans to deepen the

territory's debt market, includ-

ing the creation of a mortgage

corporation and a compulsory pension scheme. Mr Yam is

pushing proposals for an Asian bond clearing and settlement system to help stimulate the

regional market.
"It is the same with physical

infrastructure, like roads and

"Sometimes you can't wait for

the private sector. You need

airports," says Mr Yam.

While autonomy is crucial in

financial resources.

choose the chief executive.

While no clear timetable has

- Official raid irks investors in Vietnam

Foreign companies operating in Ho Chi Minh City have been unsettled by a surprise raid on the offices of Hong Kong-based investment group Peregrine Investment Holdings last week by Vietnamese finance ministry officials.

The move is understood to be part of an investigation into the company's activities. Mr Nguyen Trung Truc, Pere-grine's managing director in Ho Chi Minh City, said the officials had turned up without warning at the company's premises and those of companies associated with Peregrine last Thursday. They spent four hours examining documents, some of which were confiscated. "We've been assured by the people concerned that it's a normal visit," he said yester-

Businessmen in the southern commercial hub say it may be part of a wider campaign to check whether foreign representative offices are operating legally. Such checks are routine, but the fact that the inspectors gave no warning has caused some alarm in the business community.

Most foreign companies in Vietnam open a representative office as a first step before moving ahead with planned

Under Vietnamese law, trading or booking business through the representative office is banned.

The authorities periodically uncover cases of abuse and have closed offices operating illegally. Most are run by Asian companies, particularly ethnic Chinese businesses using Vietnamese companies

as business fronts. ■ Vietnam has drafted tough regulations designed to clamp down on the Internet only weeks ahead of a Communist party congress at which access to information by its citizens and increased foreign influences are to be high on the

Foreign and Vietnamese businesses would be allowed to offer Internet services but would have to register with the country's telecoms authority, the Directorate General of Posts and Telecommunications The DGPT would close any

service that violated conditions in the draft, including a clause whereby the provider must ensure "effective technical filters to deter adverse infor-mation flows from abroad penetrating into Vietnam". Inspections from the interior ministry would be mandatory. Draft rules are rarely altered substantially and are considered a reliable indication of

final government policy.

Many in the Vietnamese leadership fear the use of the Internet to advance the cause of "peaceful evolution", a term Hanol uses to refer to alleged subversion by western coun-

Sri Lankans pray for rain as India 'pledged hydro-power shortage grows to reform and

Energy crisis has hurt growth prospects, writes Amal Jayasinghe

Sri Lanka: the power balance

ri Lanka, in the grip of an unprecedented energy crisis, has stopped late night television shows in an effort to encourage people to

go to bed early. Furthermore a daily six-hour nower cut will be increased to eight hours from today to save electricity and avert a total blackout.

All TV stations, including 24hour private channels, have been asked to stop transmissions two and a half hours before midnight.

Electricity-guzzling air condi-tioners and neon signs have been banned and the country has for the first time advanced the clock by one hour to save daylight. Private analysts said the

power crisis was a severe blow to industries and the government would be lucky if the country was able to achieve a 3 per cent GDP growth this year, against an earlier forecast of 5-6 per cent and compared with 5.5 per cent last year. Compounding the problems

of the power crisis was a fourday strike by electricity workers demanding a reversal of government plans to sell off state-run public utilities. The work stoppage plunged the country into a total black-

out, crippled water and fuel distribution and badly hit hospitals for four days till Satur-However, the action also helped save some water in res-

ity stations.

"The energy crunch is far distribution subsidiary. more serious than a terrorist attack in the capital," said Mr Ken Balendra, chairman of Sri Lanka's leading private sector group, John Keells Holding. "The damage to the economy

must be enormous." At the root of the energy crisis is the country's over dependency on hydro-electricity. The reservoirs have hit rock bottom because monsoon rains failed earlier this year while demand surged - making the country more and more vulnerable to ever changing weather

Underscoring the situation, the Ceylon Electricity Board (CEB) last month commissioned Buddhist monks to pray Halfway through, workers

went on strike, demanding an end to the sale of Lanka Riectricity Company (Leco), the ervoirs feeding hydro-electricstate electricity utility's

98 99 2000 01 02 03 04 05 10 14

But the privatisation authority said it was not going ahead with the Leco sale because the highest bid of \$27m (£17.5m) was \$9m short of the minimum floor price - a decision unrelated to the lightning strike. Even as the work stoppage

continued, engineers had joined "in spirit" to pray with the saffron-robed monks who launched the prayer session at the country's main hydro-electricity station in the central "If the gods don't deliver by June, we are doomed," a

spokesman for the CEB engineers union said.
"We want the country to pray for rain because there

s nothing else we can do. We, too, are praying every day."
Sri Lanka's current installed

electricity generating capacity is 1,385 MW and only 250 MW

of that comes from thermal power generation stations. Engineers say the thermal backup is woefully inadequate.

"We have been sentimental about hydro-power," said Mr Leslie Herat, Electricity Board chairman. "We can no longer depend on

the weather. The answer is thermal power and we are moving in that direction." Mr Herat said the country needed to switch to thermal power as the demand for electricity rose. Only 38 per cent of Sri Lanka's 17.05m people cur-rently have electricity in their

even power generation projects are planned with only two being hydropower stations and the total investment in the next six years is estimated to be about £1.5bn.

Although the share of hydroelectricity is now 80 per cent, it is estimated to drop to 50 per cent by the turn of the century and to 20 per cent in 18 years with installation of more thermal stations.

In the meantime, industry has taken a severe beating due to the power shortfalls since March and triggered a run on small portable electricity gen-

"People are out of work, their pockets are affected," opposition leader Ranil Wickremesinghe said.

"This is a national crisis and the government has totally mishandled the situation."

high growth'

Mr P. Chidambaram, India's new finance minister, yester-day underlined his adherence to economic reform with a pledge to achieve "a firm and pragmatic commitment to high growth". The minister, widely

admired by the markets as a standard bearer of market forces and economic liberalisation, said the new United Front government, sworn in at the weekend, would seek "fiscal prudence and austerity, continuation of tax reforms and policies to attract capital, domestic and foreign, to achieve higher levels of invest-

ment". India's new coalition government, comprising 13 partners including the Communist Party of India, will today unveil a detailed paper on its main policy issues. Despite declarations of unanimity on economic policy, underlying tensions are bound to surface on issues such as mines privatisation, which the CPI has

strongly opposed.
As a former commerce minister in the Congress government defeated in last month's general election, Mr Chidam-baram was a strong advocate of privatisation.

Yesterday, however, Mr Chidambaram said consensus existed on economic issues within the governing United

Front alliance as well as in the

Congress party, which is sup porting the United Front from

The government was committed to channelling the bulk of new investment into infra-structure projects and restructuring public sector companies, he declared.

This is likely to cause fric-tion within the coalition as the communists and their left allies oppose large-scale job cuts within state-owned indus-■ An Indian court yesterday

began hearing a lawsuit filed by a leftist trade union demanding the scrapping of a \$2.9bn power project being put up by Enron of the US. The Bombay High Court deferred the next hearing to June 19 and asked the consortium led by Enron Development to make a written reply to the suit filed by the Centre of Indian Trade Unions (CITU). The judges also said any work restarted at the site in the western state of Maharashtra, of which Bombay is the capital. would be at the com-

pany's own risk and cost, and subject to the outcome of the Enron lawyers said delays were costing Rs8.6m (\$240,000) every day in interest and other charges. The project was billed as the largest single private investment in India after the market reforms of 1991. It was axed by Maharashtra's government but the decision was

THE SLEEPER SEAT THAT GIVES OTHER AIRLINES SLEEPLESS NIGHTS.



B W & 2 W E S & / 2 W S 7 For the third year in a row Air France, American, United and Delta. Against Transatlantic Business Class". Our Business Class sleeper seat with a massive 55" pitch offers more space than most wonder the competition's Continental of our competitors including British Airways, Lufthansa, losing sleep.

Entrepreneur magazine has named BusinessFirst the "Best BusinessFirst, they all fall short. BusinessFirst, First Class comfort and service at a Business Class fare. No

FRANKFURT . DÚSSELDORF . PARIS . MADRID . LONDON . MANCHESTER TO NEW YORK AND HOUSTON - AND ONTO OVER 125 U.S. CITIES

Investment at

peak in Scotland

Scotland yesterday said that 1995-96 had been another record

year for inward investment. Locate in Scotland, the official inward investment agency, achieved its highest ever figure for

the number of planned jobs that would be created or safe-

guarded by investment from outside Scotland. However, the

number of planned inward investment projects in the financial year fell from the 1994-95 figure of 97 to 84, and the total planned investment was slightly down at £981m, from £1.12bn

US group to open \$50m plant in N Ireland

ers of diesel generators.

There is speculation locally that F.G. Wilson and Caterpil-

lar, the Illinois earthmoving

machinery group, could estab-

lish a joint venture to manu-

In an effort to attract this

facture in Northern Ireland.

Northern Ireland has secured its first big investment from Outside the UK since the Irish Republican Army ended its ceasefire in February. It came yesterday with the announcement of a £33m (\$50.2m) project by Copeland of the US, the world's biggest manufacturer of compressors for the air conditioning and refrigeration markets.

Copeland, a subsidiary of Emerson Electric, the Missouri-based electrical englneering group, is to set up a factory in Cookstown, and expects to start construction in August and production early next year with an initial work- Europe's largest manufactur- project to west Belfast, Sinn

The UK's first regional technology plan was launched yesterday in Wales with the aim of making companies more competitive by stimulating innovation, Roland Adburgham writes in Cardiff. Wales is one of eight regions, and the only one in the UK, to have been invited by the European Commission to draw up such a plan. Funding is being provided by the commission and the Welsh Development Agency, which is project manager.

An action plan to implement the strategy has

The investment is the latest in the series of moves by Emerson Electric to increase its local presence following its acquisition in 1994 of the family owned F.G. Wilson, an engineering group which is

been drawn up after two years of consultation with more than 600 companies and organisations to identify the innovation issues facing Wales.

Six flagship projects are to be launched immediately. These include a technology and immovation competition; support for the optoelectronics sector to build global alliances: a funding programme for small and mediumsized companies wanting to upgrade their tech-nology, and a network of multimedia/information technology advice centres.

> Fein, the IRA's political wing, has been in contact with the company and with Mr Alan Hevesi, comptroller of the New York City pension fund, which has a large holding in Emerson Electric and Caterpillar. This is the first time Sinn

Féin has actively lobbied for

Mr John McGuckian, chairman of the Northern Ireland Industrial Development Board, said the investment by Cope-land was "a very substantial endorsement of Northern

Mr Robert Novello, chairman of Copeland, said the investment in Northern Ireland would allow the company to meet the growing demand of its European customers. Last year the IDB managed to attract a record 63 projects.

and underlines the improved

profile that Northern Ireland

now enjoys in the US, from

greenfield investments, with the promise of more than 4,800

Mr Bruce Robinson, the IDB where there has been a 60 per cent increase in the number of chief executive, said the target husiness inquiries over the last was to create between 12,000 and 18,000 new jobs by March 1998. The planned Cookstown facility is the company's third big expansion in the past 6 months. The company said yes-terday it intended to announce further investments in Asia and north America "in the near future". Copeland had worldwide sales of about \$1.2bn in 1994, and employs 5,500 people, supplying com-pressors to most of the world's leading refrigerator and other "white" electronic goods manu-

in the previous year. The jobs total was boosted by the decision of Chung Hwa, a Taiwanese electronics company, to establish a £260m plant making cathode ray tubes for computers and televisions in Lanarkshire, which will eventually create 3,300 jobs. This made it Scotland's biggest inward investment ever in terms of employment.

.5567.6m

E) 127bn £381

• The Scottish plant of International Business Machines is losing its worldwide responsibility within the group for developing monitors for personal computers. The move coincides with rising concern in the Scottish electronics industry at declining levels of development spending. IBM said it would now meet its product requirements from outside suppliers.

James Burton, Edinburgh

-- .inhq: new safaguardet

2.717

3,215

5,342

7.688

9,114

Philips plant sought

The West Midlands yesterday stepped up its efforts to win a 22bn (\$3.04bn) semiconductor factory from Philips, the Dutch electronics group, by publishing detailed proposals for the scheme. West Midlands Development Agency, which markets the region to inward investors, applied for planning approval for a 57ha plant on a greenfield site to the north-east of Birmingham. It said plans for the plant – which could create up to 4,000 jobs - were provisional.

Philips confirmed it was considering the UK for a semiconductor plant, but said that no final decision had been made. The Midlands site is among several in Europe which Philips is examining as part of its plans to expand output of semiconduc-tors. Richard Wolffe and Stefan Wagstyi

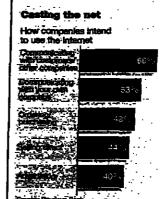
Output declines sharply

Manufacturing activity experienced its biggest decline for more than 31/4 years last month as factories reined in output and cut jobs in the face of declining order books and a build-up of unsold goods. Companies making plant and machinery raised output only fractionally while producers of components cut output sharply, according to yesterday's monthly survey by the Chartered Institute of Purchasing and

But weakness in these two areas was intensified for the first time this year by a sharp slowdown in output and demand for consumer goods. Although the consumer goods sector remained the strongest area of the economy, its poor performance last month contrasts with the buoyant conditions earlier this year. It suggests that consumer demand, which the government expects to rebound strongly in 1996, may still be However, separate figures yesterday showed the amount of

notes and coins circulating in the economy continued to grow rapidly last month - providing evidence that conditions on city streets remain healthy. The Bank of England said notes and coins grew at an annual rate of 6.1 per cent last month. compared with 6.3 per cent in the year to April.

Internet worries charted



British companies are concerned about the lack of security on the Internet, although most see the global electronic network as a business opportunity. In a survey of 200 of the UK's top 1,000 companies commissioned by Barclays Bank, nearly three-quarters said they were concerned about the Internet's poor security. However, 81 per cent said they saw the Internet as a business opportunity and more than a third already have an Internet site. Of those without a site, 42 per cent said they would need access by 2000. With the growth of Inter-

net use at work, 55 per cent of companies were worried that employees would "surf the Net" in company time. About one-third were concerned that the Internet would lead to increased competition in their markets. Two-thirds said they would use the Internet to communicate with customers and other companies while 48 per cent said they would use it to order and purchase goods or supplies. About 40 per cent would ose it for advertising and 44 per cent planned to sell.

Airline strike closer

Tories run short of Welsh speakers

By George Parker at Westminster

The resignation of Mr Rod Richards, a junior Welsh office minister, after allegations of an extramarital affair has robbed the region of its only Welsh-

Yesterday Mr John Major. the prime minister, appointed Mr Jonathan Evans to the Welsh Office. Although Mr Evans represents a Welsh district he does not speak the

The departure of Mr Richards has caused the government acute embarrassment in

This month the House of Commons is expected to approve an historic measure allowing the Welsh language to be spoken for the first time in parliamentary business when the Welsh grand committee of the House meets in Wales.

In future ministers who do not speak Welsh will have to listen to such proceedings through an interpreter. The government will also be unable to provide a minister to answer questions on Welsh-language

Mr Evans is one of only six Conservative MPs representing Welsh constituencies. Some political analysts believe the Conservatives could be wiped out in Wales at the next elec-

The Welsh office is proving one of the hardest government departments for the Conservatives to staff. Mr William ister representing Wales. comes from the Yorkshire

region of northern England. Other ministers who have ouit the government during Mr. John Major's premiership

1992 Sept: David Mellor. national heritage secretary, quit after revelations about affair with actress and reports that daughter of an official of Palestine Liberation Front had paid for Mellor family holiday. 1994 Jan: Tim Yeo, environ-

ment minister, was revealed to have fathered a child outside his marriage. Said his private life had not affected his ability to do his job. Jan: Lord Caithness, a junior

transport minister who resigned on the day his wife committed suicide. Her parents said he had been having an affair with a family friend. Jan: Alan Duncan, parliamen-tary aide to a health minister, lent elderly tenant of municipally owned house cash to buy under government discount scheme open only to tenants. Ownership of house was subsequently transferred to Duncan. Feb: Hartley Booth, 48-year-old aide to a Foreign Office minister, admitted "kissing and cuddling" former House of Commons researcher aged 22. Booth married with two chil-

May: Michael Brown, unmarried Conservative party whip, rejects newspaper allegations "homosexual triangle involving him, student and

government official. July: Ministerial aides Graham Riddick and David Tredinnick alleged to have accepted £1,000 (\$1,540) to table question to ministers in House of Commons. Allegation was made by newspaper reporters posing as businessmen keen to obtain government information relevant to their business

Nov: Tim Smith, a Northern Ireland minister, admitted breaking parliamentary rules over disclosure of business links with Harrods.

Nov: Neil Hamilton, corporate affairs minister, expressed regret that he had not declared stay in Paris Ritz at expense of Harrods owner Mohammed

Feb: Robert Hughes, junior science minister, married with three daughters, admitted to affair with former secretary.



Sir Ron Hadfield, chief constable of West Midlands police displays a 9mm Uzi submachinegun seized in a police raid earlier this year. His and other police forces throughout Britain yesterday began a month-long firearms annesty ordered by the government after the Dunblane massacre in Scotland in which 16 schoolchildren and their teacher were shot dead. Michael Howard, home secretary, said: "If we can get these weapons out of circulation, off the streets, out of people's homes and into police stations where they can be safely disposed of, that's something very much to be welcomed."

Agents protest at demand for help for stricken Names

on another flank. Hardline

Names are collecting signa-

tures for an extraordinary gen-

By Raiph Atkins.

Lloyd's of London last night faced a possible revolt from agencies running insurance syndicates at the market over proposals to help ruined Names as part of the Lloyd's

recovery programme.

Agents protested that they were being "bounced" into a deal which could see them paying tens of millions of pounds extra to protect the homes and incomes of Names devastated by losses totalling more than \$12hn in recent years. The proposals would "top

up" help available to all Names

under the Lloyd's recovery plan which includes a £3.1bn (\$4.7bn) out-of-court settlement offer to lossmaking and litigating Names. Names are individuals whose assets have traditionally supported Lloyd's.

Agents had expected to contribute £200m to the plan, but Mr David Rowland, Lloyd's chairman, is seeking a "material" increase to help the worst

eral meeting in an attempt to force agents to pay substantially more than envisaged by Mr Rowland. They argue that the latest concessions are inad-

Resolutions are still being considered, but the Lloyd's

LLOYD'S OF LONDON Names Associations' Working Party (LNAWP) may use an extraordinary general meeting to propose that agents contrib-ute an additional £200m. It is also floating the idea of a 2 per cent "turnover" tax on the future Lloyd's market, raising

at least £100m a year. The latest rows are unlikely to derail the Lloyd's recovery plan, which is winning broad support among Names. But they presage a bumpy few months ahead of the plan's implementation, due in August. Even if LNAWP's resolutions were passed, they ruined Names pledged by Mr Rowland came in a letter published yesterday and signed by leading Names' representatives following a meeting at Lloyd's last week. In response, Mr Paul

News of the extra help for

Archard, managing director of Murray Lawrence, one of the largest agencies at Lloyd's, said: "I'm amazed to have read it in the papers since no one has agreed it with me or any

other agent." Several leading Lloyd's agencies expressed anger privately at what they said was a "political game" being played by Mr Rowland, who was making commitments not discussed with them. Recent meetings between Mr Rowland and agents are understood to have been stormy.

But Names' representatives said the extra help being offered to ruined Names was an important step forward. More than 4,500 Names have applied for means-tested assistance as part of Lloyd's recov-

We are the last UK-based engineering industry that's world class,' says BAe executive

Lloyd's also faces difficulties

Aerospace sector warns of heavy job losses

British aerospace companies warned vesterday that their industry may have to shed

Launching a campaign to share lost since 1980, the Society of British Aerospace Companies said that only 100,000 of the industry's 130,000 lobs were sustainable in the

long term. Britain's international market share had fallen from 13 per cent in 1980 to 9 per cent last year. The society called on the government to fund half of a £200m (\$308m) programme to help increase the British

Mr Norman Barber, the chairman of Smiths Industries Aerospace, said UK companies had already taken action to improve their efficiency. The industry's productivity growth since 1980 had averaged 12 per

Labour costs in the UK

industry were far lower than in competing nations, he added. UK costs were 58 per cent of those in the US and 52 per cent of those in Germany.

Mr Barber said, however, that the UK had lost market share because of aggressive marketing by competitor countries and because of weak support by the British government. The level of

employment in the UK industry had fallen from 250,000 in 1980 to The UK aerospace industry

nevertheless remained one of the world's most powerful, with sales of more than £10bn cent of gross domestic product. Aerospace made a net contribution of more than £2hn to the UK halance of payments. Three aerospace companies -British Aerospace, Rolls-Royce and GEC - appeared in the list of the UK's top five exporters. In spite of the fall in employment, the industry continued to recruit 1,500 graduates a year.

Mr Mike Turner, BAe's head

"We are the last UK-based engineering industry that's world class."

Mr Turner added that returning the UK industry to an international market share of 13 per cent would require the combined efforts of the industry and the government. But he said productivity gains would result in the loss of a further 30,000 jobs. Mr Turner said the

government should ensure that support to the UK industry. "We want some bias towards the UK. There will be occasions when the governments needs to buy off

much we will end up with a US

The society said the industry was notting £20m into research and development projects this year. It intended to build this up to £100m by the end of the government to commit an equivalent amount.

Companies intend to use the money to focus on areas in which the UK is already its defence procurement building of wings, engines, policies provided greater aircraft undercarriages and cockpit equipment. The society is also working to improve co-operation manufacturers and component

Official report admits that feedstuff controls 'have had less impact than intended'

Minister opens full defence of BSE measures

By Caroline Southey in Luxembourg

Mr Douglas Hogg, the British agriculture minister, went on the offensive yesterday at a meeting of European Union farm ministers, defending Britain's plans to eradicate BSE or "mad cow disease" and pledging to take tougher measures against dangerous feed-

Mr Hogg presented EU ministers with the most detailed account yet provided by the British government on what it has done and plans to do to wipe out the disease. The 121page document also gave a blow-by-blow account of where policies have failed in the past,

offering explanations as to why ing farmers and feedmills time British herds.

tained only two new pieces of information - the measures on animal feed and a small change in the selective slaughter proposals - Mr Hogg clearly hoped its presentation would help overcome scepticism in the EU about Britain's commitment to eradicating

the disease has persisted in to dispose of all stocks. Although the paper con-

Mr Hogg said the British

government would make it a criminal offence for anybody to possess animal feed made from mammalian meat and bone-

The measure would come

imise the tourism benefits of

the tournament for all eight

cities where matches are tak-

The ETB is expecting 250,000

overseas visitors, a healthy

addition to the 2m it usually

expects in June. It believes the

influx will generate additional spending of around £118m

(\$179m) on top of the £1.1bn

The cities which will fare

expected for the month.

ing place.

The report said the extra measures relating to animal feed were intended to ensure

"100 per cent compliance with the new rules". In March the protein from feed for pigs and noultry - it has been banned for cattle since 1988. "Action on animal feed is still believed to be the most

effective way of eradicating BSE," the report said, admitting that the "controls in the UK to date have had less impact than intended". The report summed up what

main thrusts of policy - such have contracted the disease -

as the exclusion of ruminant to cover all future identified protein from cattle feed, ensuring that parts of carcasses which could convey BSE do not enter the human food

Mr Hogg said 80,000 cattle had been slaughtered since the beginning of May as part of the government's culling scheme for animals over 30 months. The total will reach 1m by the end of the first year of opera-

ment said it would extend its senarate selective slaughter policy - which is based on tracing and destroying cattle the government knows about born at the same time and in BSE and gave details of the the same herd as those which cases of BSE. It made clear yesterday it had withdrawn an earlier proposal to allow farmers the choice of confining rather than killing animals which have the

The government's report

said research left open the question of whether "cattle-tocattle transmission, notably maternal transmission, can or cannot occur at all". Mr Hogg added that it had "not been possible to establish vertical transmission" but the evidence suggested that if it did happen it would not "pre-

vent the disease from dying out" given the measures cur-

A summer strike by British Airways pilots moved a step closer after management-union talks failed. The pilots' trade union union immediately issued strike ballot papers to its 3,000 BA flight crew members. The result will be known on July 3. Each side blamed the other for the failure of the talks. BA manage ment said a date and time for talks had been agreed but then the union had later said it did not want to talk. But Mr Chris Darke, the union's general secretary, said BA had "failed to accept" an offer for talks. "Negotiations on the current pay round have dragged on for six months without a satisfactory offer concerning issues particular to flight crew," said Mr

Host cities hope soccer and tourism prove profitable mix

By Christopher Brown-Humes



The police officers and taxi drivers of Greater Manchester can now speak four

England should able to say "hello" in German, Italian, Russian and Czech after recent coaching. It is hoped the tuition will help make thousands of fans from those countries feel more welcome when they come to Manchester for Euro 96 this month. The scheme is integral to the English Tourist Board's

broader Welcome Host pro-

gramme which aims to max-

The organisers of Euro 96 who boasted last week about the "phenomenal" demand for tickets admitted yesterday that the special telephone "hotline" set up to handle inquiries was because the telephone system set up by British incapable of coping with the late rush of demand, Patrick Harverson writes. Yesterday software company handling ticket sales, could many callers to the hotline in Britain were answer only 150 calls at a time.

and staging a semi-final. Hence

visitors against Liverpool's Nottingham, which is host to Croatia, Portugal and Turkey, may draw only 22,000, however, because ticket sales in attractions (5 per cent). As these less affluent countries much as half of the total will

have been lower. Manchester calculates that the championships could be best are those hosting four worth as much as £30m to the

hotels, restaurants, shops and Manchester is expected to taxi drivers. The biggest chunk attract around 40,000 overseas of money will be spent on accommodation (33 per cent of the total); followed by restaurants and pubs (24 per cent); shopping (19 per cent); travel (14 per cent) and cultural

side Britain. Manchester hotel occupancy, normally 75 per cent in June, teams - rather than three - city, a huge benefit for local is expected to be almost 100 per

be spent by visitors from out-

Manchester Visitor and Convention Bureau. The city is hiring university accommodation. But many small hotels and guest houses in host cities are far from fully booked. This has been blamed on unsold tickets,

poor ticket distribution in other countries, negative publicity about expensive travel packages and a spate of late cancellations. The big hotels say they are charging only their "rack" rates - their highest published charges - but this still leaves prices higher than normal discounted levels.

One of the biggest problems has been converting a visit into an overnight stay. Manchester, for example, although forecasting 40,000 visitors from outside Britain, expects only

there are good air links, most fans will fly in and out on the same day.

Mr Arend de Roever, owner of Roever, an Amsterdambased travel agency which is arranging travel for the Dutch national team, says most Dutch fans will not be staying on after the Dutch team's matches in London and Birmingham. This mirrors the pattern four years ago when Sweden hosted the event.

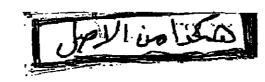
Mr De Roever is sceptical about mixing soccer and tourism, arguing that many fans are not as interested in sightseeing as Euro 96 organisers would like to think.

Host cities see long-term tourism spin-offs from the tournament. Mr Tony Barker, of

department, says: "This is not ment. This is the best springboard we have had to promote the city for years." Hence the invitations to many non-UK journalists to visit Leeds.

The tournament will also have an impact on travel plans of UK residents. Home & Overseas. Britain's largest travel insurer, calculates that 12 per cent of the population are such soccer enthusiasts that they plan to give up their usual trip abroad to stay in the UK for the entire event. The same number, it says, will aim to be out of the country - specifically to avoid Euro 96 and everything to do with it.

New ball game, Page 16



Brighton has never been a hotbed of science-based industry. The Sussex coast is known for leisure, education and financial services - but not high-tech. So local authorities and universities were rather nervous about the prospects for the Sussex Innovation Centre which they opened last month as a home for

scientific enterprises. They need not have worried. The centre – on the campus of Sussex University – has already attracted 10 science-based businesses, including several started by academic researchers. Mr Derek Hardcastle, general manager, says the level of interest from potential tenants is so high that the centre could be full, with 40 businesses in residence, by the end of the year.

The instant success of the Sussex Innovation Centre is one sign of the growing entrepreneurial spirit among Britain's scientists and engineers. Recent publicity about a new breed of scientific entrepreneur has focused on a few quoted biotechnol-ogy, electronics and information chnology companies, whose stock market performance has made a fortune for their founders.

But the phenomenon is deeper and more widespread than that. More and more scientists are being attracted by the risks and rewards of working outside the safe haven of large corporate and academic laboratories. Many set up on a science or technology park linked to a university. These property developments grew very fast during the 1980s and then got stuck on a plateau in the early 1990s. Now almost all of them are expanding again, says Mrs Chris Emery, administrator of the 46-mem-

ber UK Science Parks Association.

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FT Surveys

There are two main sources of scientific entrepreneur: universities and existing companies. Some of the most promising start-ups contain people from both sectors.

Everyone agrees that academics are growing more entrepreneurial, as old prejudices about the sanctity of pure science fade away. So are their employers - universities are setting up their own businesses to take advantage of the increasing demand by industry to contract out

scientific services and research. Sir Derek Roberts, provost of University College London, says another factor is "that universities appreciate the opportunities they lost 10 or 20 years ago, when they gave away their intellectual property. They see companies making a lot of money out of research that they did then, and they are determined not to make the same mistake again."

At the same time, many leading scientists prefer to remain academics first and foremost, while working part-time as scientific directors of companies exploiting their discoveries. Professor Richard Friend, a physicist at Cambridge University's Cavendish Laboratory, is a non-exec-utive director of Cambridge Display Technology, the company founded to commercialise his research into

light-emitting plastics.
"The business skills that I don't have are present in and around Cambridge," says Prof Friend. "It is a huge burden to start a company or to transfer basic science out of the laboratory."

However, Mr Jeremy Fairbrother, bursar of Trinity College, Cambridge, and director of the Cambridge Science Park, says "the cul-ture of academia is still to do research in the 'public good' arena. Academics who are commercially minded are in the minority."

Dr David Owen, director of indus trial collaboration for the Medical Research Council, has masterminded the recent spin-off of several ambitious biotech companies based on MRC-funded research (including Therexsys, Cambridge Antibody Technology and Prolifix) and he is working hard to get two more started: Cambridge Genetics and

Ribotargets. There are two main constraints, according to Dr Owen: too little funding available for new sciencebased ventures, and too few professional managers who specialise in helping scientists to start companies. He says the current wave of consolidation in the UK pharmaceutical industry, including redundancies among senior executives, will provide good managers for existing science-based companies but it will

Observers of the international high-tech scene say that the UK is leading continental Europe in the creation of scientific entrepreneurs but still lags well behind the US.

A truly transatlantic view comes from Mr Peter Nomikos, a Greek engineer based in London, who is president and founder of Photoelectron Corporation, a Massachusetts electronics and medical devices company. "A very contagious entrepre-neurial R&D culture has taken root over more than 40 years in the Boston area and in California," he says. "There is a very mobile pool of scientific talent and of investment funds, which does not yet exist in the UK. You are beginning to emulate it here but it will take time - maybe 15 years rather than 40."

In 2010, will people be talking about the Sussex coast as a cradle of high-tech business in the same breath as Route 128 in Massachusetts or Silicon Valley in California



BIOTECH COMPANIES - By Daniel Green

'Sons of Searle' run most of the industry

Many claim credit for the Exchange helped when, in sity lecturer Mr Brian Richards growth of the UK biotechnol- 1992, it relaxed its rules on and they set out to recruit acaogy sector, whose 159 companies account for more than a lossmaking companies to float. quarter of the European total. But few can hope to chal-lenge the contribution of a US pharmaceuticals company G.D. Searle now run most of Britain's biggest biotech com-

There has also been an important contribution from UK academia. Britain's universities have pumped high quality graduates into Glaxo, Wellcome, Beecham and ICI (now Zeneca) - the UK's huge and successful drugs industry. And the London Stock

company flotations to allow The story of UK biotechnol-

ogy began in the mid 1960s. G.D. Searle had made a fortune in oral contraceptives. It wanted to open a UK research centre in 1985. The alumni of centre and expand into new medical areas. It recruited Mr Hamish Hale, a Glasgow doctor who had moved into research at the Imperial Cancer Research Fund where he had been one of the first to explore the new science of molecular biology.

"They gave me carte blanche to start a research team," said

He took on London univer-

were attuned to the world of business. Among those they found and promoted to top positions were Mr Nowell Stebbing, who joined in 1969, Mr Peter Fellner (1973) and Mr

Keith McCullagh (1981). These men created in High Wycombe, Buckinghamshire, a Mr Hale, meanwhile, had 350-strong laboratory, the biggest in the UK devoted largely to biological research. But Searle grew concerned that its policy was not leading to bigselling products, and when Searle was taken over in 1985. the UK research operation was

Mr Richards and Mr McCul-

lagh took the ideas they had developed at Searle and raised 52.5m from venture capitalists to create British Biotech. Mr Fellner joined the board in 1988 but moved on in 1990 to

in 1994 and is now chairman of Peptide Therapeutics, floated earlier this year, and Alizyme, which is also planning to float. gone to work for US biotechnology company Genzyme which had an energetic Welsh head of research, Mr Chris Evans. In 1987 Mr Evans obtained £1.4m from British

run Celltech. Mr Richards left

Sugar to create a biotechnology company called Enzymatix. His marketing manager, Mr Edwin Moses, is now chief company Oxford Asymmetry. When British Sugar pulled out of Enzymatix, Mr Evans split the business into Chiroscience, Celsis and Enviros.

So G.D. Searle deserves much of the credit for nurturing the people behind UK biotechnology. The key moment, according to Mr Jeremy Curnock Cook who advises the biotechnology venture capital funds at Rothschild, came when Monsanto shut its newly acquired UK laboratories. "The demise of Searle's High

Wycombe labs led to the creation of British Biotech which became a role model and inspired others to follow," he

certain segments of the IT market in particular - including virtual reality, games software and data networking. As a result many successful start-ups have been snapped

> before they come to market. However, for those entrepreneurs who have persevered, particularly those in the fast growing software and computing services, the outlook is beginning to look brighter.

up by overseas predators even

II FINANCE

turn to

US for

funding

Historically, the City has had

the British information tech-

nology sector, while high tech-

nology entrepreneurs have a somewhat jaundiced view of

"the money men". Unlike the US, where a

thriving venture capital, ana-

lyst and broker community

has developed on Wall Street.

in Boston and California to advise and help fund high-tech start-ups, the UK has failed to

As a result, technology

entrepreneurs complain that the City "doesn't understand

technology", is unwilling to fund high risk start-ups and lacks the vision required to

see past the next set of results.

tional fund managers and

bankers counter that small

technology companies often fail to explain their strategies,

are unwilling to accept man-

agement advice and too often deliver unwelcome suprises.

This, coupled with the much

higher multiples that new

issues, particularly hardware companies with "whizz-bang

boxes" command across the

Atlantic, helps explain why so

many UK start-ups turn to US investment banks and the Nas-

daq to make their stock mar-

Among the UK based comp

nies to have taken the Nasdao

route in recent years have

been Firefox Communications,

a specialist network security

software group, which was founded in 1989 in Solihull

near Birmingham, and was

floated last year for \$100m, turning its three founders into

More recently, Planning Sciences, a Wimbledon-based software company formed by a group of former Lucas Indus-

tries software engineers,

floated on Nasdaq at \$16 a

share. Within a week, shares in the company which posted profits of just £700,000 on rev-

enues of £8.4m, had risen to

\$26 a share, valuing the group

at about \$90m and putting the

shares on a historic multiple

By contrast, Triad, the soft-

ware and systems consultancy

which floated in London in

March and posted pre-tax prof-

its of £2.1m in the year to

March 31 on turnover of

£11.7m, was valued at only

£34m when it came to market

Britain has built up a solid

reputation for innovation in

at 135p a share.

While in the City, institu-

develop a similar group.

By Paul Taylor

Start-ups

Britain's three quoted virtual reality software companies, Division, Superscape and Virtuality, are market leaders and have performed well. A recent report on the overall sector produced by Mr Richard Holway, an independent analyst, notes that "there has been a major re-rating of software and computer computing services company valuations". Last year the average his-

toric price/earnings ratios of quoted companies in the industry jumped from 15 to 23. Meanwhile share prices increased by 80 per cent, nearly four times more than the FT-SE 100.

Seeking outside help is key to success

The lessons of the 1980s seem to have been learned. The UK's most promising high technology companies neither try to go it alone nor attempt to do

everything themselves.

An example is Videologic, a Kings Langley based designer of chips and circuit boards capable of generating realistic three dimensional graphics images on personal computer screens. The company has recently agreed to supply its technology to Compaq, the world's largest PC manufac-

videologic understands that the economies of scale necessary for success in the semiconductor business are difficult to achieve in the UK. It

describes itself as a "chipless chip company", exploiting a technology alliance with NEC of Japan, one of the world's top chip manufacturers. Videologic designs the chips and boards, NEC manufactures and markets them and the UK company collects a royalty on each chip sold.

Advanced Risc Machines (ARM), a Cambridge-based chip designer, has a similar approach. Its microprocessors are small and low cost, providing high processing speeds with low power requirements. Seen originally as the ideal chip to power personal electronic gadgets such as games machines and personal digital assistants, they are enjoying

new popularity as the favoured processor for "Internet appliances", low cost terminals giving easy access to the Internet. ARM licenses its technology to a broad range of companies including Digital Equipment, Texas Instruments, VLSI and Cirrus Logic of the US, Sharp of Japan and Samsung of

ARM is just one of a number of companies which have established Cambridge and its environs as a hotbed of UK technology. The list includes Ionica, the most radical of the UK's new telecoms operators, which connects homes and small businesses to exchanges through a fixed radio link. Ionica contracted a number

of innovative Cambridge com-panies including the Generics Group and Symbionics to develop the wireless technology. It has since signed a manufacturing deal with Northern Telecom of Canada; the two companies work together on improvements to the system. Northern Telecom s responsible for marketing it. So far, the technology has been licensed to Telecom Finland

and Scottish Telecom. ATML, another Cambridgebased company, hopes to exploit the present trend in telecommunications to asynchronous transfer mode (ATM). a technology standard basic to the "information superhigh-

Mr Hermann Hauser, ATML chairman, notes: "All the fundamental ideas that this standard is built on are ideas that we are familiar with and expert at. ATM was a niche five years ago - the nice thing is that for once, the main-stream has come to us."

Virtual reality, or advanced computer simulation techniques, is a further UK strength. The UK has three world class contenders - Division. Virtuality and Superscape. Division and Superscape have aimed chiefly at the training and professional market while Virtuality has a substantial share of the world market for arcade and other games

Leading innovators meet both triumph and disaster

way"

Hermann Hanser

The 47-year-old Austrian-born physicist and high technology entrepreneur worked for Mr Clive Sinclair before becoming joint founder of Acorn Computer in 1979.

Acorn, like other high-tech startups spawned by the 1970s "Cambridge phenomenon", flourished for a while, helped by the success of the BBC Micro which it designed and manufactured and which is widely credited with bringing computing in Britain "to the little guy".

However, in the face of fierce competition the company nearly failed in the mid 1980s and had to be bailed out by Italy's Olivetti. That collapse cost Mr Hauser about £100m.

Overall he has started 20 companies and although he is no longer listed as the 12th richest person in the country, as he was in 1984, many of his investments have paid off. Advanced Risc Machines, Acorn's sister company processors, looks set to supply the

industry advocates believe will challenge the dominance of the personal David Potter

low cost network computers which

E THE PEOPLE TO WATCH. By Paul Taylor and Daniel Green

The 52-year-old founder, chairman and chief executive of Psion, a 16year-old company, which manufac-tures the world's best selling handheld computer, the Psion 3a.

He started his career as a mathematician and physicist but dislikes being referred to as a "boffin". The success of his company, which was floated for just £2m in 1988 and is now valued on the stock market at about £235m, has been based on the clever electronic engineering and smart marketing of

the group's products. But like other entrepreneurs Mr Potter has also lived through bad times. In the early 1990s the recession and the costs of new product development plunged the company 22m into the red and sent the share price turnbling. Many in the City were ready to write off Psion as another British high-tech failure but Psion confounded the pessimists by exploiting a niche in the market for comparatively low priced and easy to use hand-held personal computers.

He has been critical of the City, saving that it has failed to support British technological innovation.

Robert Madge

Aside from being one of Britain's richest men - he is estimated to be worth nearly £500m - Mr Madge, 43, also has one of the most unlikely backgrounds for a technology entrepreneur.

Ten years ago Mr Madge, once an architectural journalist, mortgaged his 200-year-old Buckinghamshire farmhouse to found Madge networks in 1986 after spotting a niche applying IBM's proprietary "Token Ring" networking technology.

Today Madge, which was floated on the Nasdaq market in the US in 1993, is ranked as the world's fourth-biggest maker of switches and other equip- Nowell Stebbing ment for computer networks and is worth about £1.5bn.

The group is continuing to grow both through acquisitions and geographic expansion.

In spite of his undoubted success. Mr Madge, who now lives in Paris. remains a quiet and unassuming man. but also determined.

Chris Evans

A 38-year old Welsh rugby enthusiast. He has three quoted companies already - Chiroscience and Celsis, based on biotechnology, and Toad which invents and sells anti-theft devices for cars. They are worth a total of £440m, of which his share is worth more than £60m.

Mr Evans now takes a back seat in the running of these companies and has moved on to start three more businesses: Cerebrus, Enviros and Kindertec in biotech, environmental services and gadgets for parents of toddlers respectively.

Mr Stebbing, 55, a veteran of Genentech and Amgen, the two biggest US biotechnology companies, is best known in the UK for having been chief executive of Chiroscience.

In the past year he launched himself into several new projects includ-ing being chairman of Axis Genetics. which is trying to derive vaccines from plants, chairman of Cambrio, a new biotechnology company that is already looking for a quotation, and a non-executive director of Therexys, a gene therapy company.

Brian Richards

A co-founder in 1985 of British Biotech, Mr Richards, 63, has since steered Cambridge's Peptide Therapeutics to flotation and intends to do the same with London-based Alizyme. "Brian will never stop", says a former colleague. "He's got too much energy and would be bored if he didn't do

harph

ringer feri

A tiny bacterial interloper may be the culprit in one of the most common diseases in the industrialised world, according to a new study

by Utah researchers.
The bacterium, called chlamy dia, has only recently been identified as a cause of pneumonia but a closely related subtype is the well-known source of urinary tract infections. Now the bug may be implicated in atherosclerosis - narrowing of arteries - which is the underlying cause of more than 500,000 deaths a year in the US. Although the evidence is still

sketchy, the Utah researchers believe the hug may latch on to the walls of coronary arteries, leading to plaque formation. If research confirms that an infectious agent causes athero-sclerosis, it could transform the way the disease is treated, says Joseph Muhlestein, assistan professor of medicine at LDS Hospital in Salt Lake City, Utah. "If we found that chlamydia actually caused the disease, it could be treated with antibiot

ics," he says. A similar model exists in med icine. Physicians long resisted the idea that bacteria cause stomach nicers but now it is established that they are the result of infection. Muhlestein says: "We don't know yet whether chlamydia causes heart disease but the ulcer story makes me think we should pursae our research."

The Utah researchers found the bacteria in a substantial number of fatty plaques extracted from the coronary arteries of 90 patients undergoing atherectomy, a procedure in which plaque is carved out of the walls of arteries.

The next step is to find if the bug can infect the coronary erteries of laboratory animals However, Daniel Steinberg, pro-fessor of medicine at the University of California, San Diego, says: "The bacteria may be there simply because an atherosciero tic lesion has lots of deliciou stuff for them to eat. The principal common cause of this disease is high cholesterol levels."

Marjorie Shaffer

or two decades, scientist Eric Drexler has been promulgating a peculiar vision of the future. By 2025, Drexler says, factories far smaller than the head of a pin will manufacture everything from microwave ovens to ballgowns. The new micro-plants will destroy the economic class system because everyone will have easy access to a wealth of material goods. Since all things can be reduced to basic chemical components, Drexler reasons, even com-puters may be made from raw materials like sand and air.

The Californian's futurist notions are based on the science of molecular design called nanotechnology. While not all nanoists support Drexler's most extreme predictions, they do agree on one thing: some day it will be possible to create miniature factories at the molecular level.

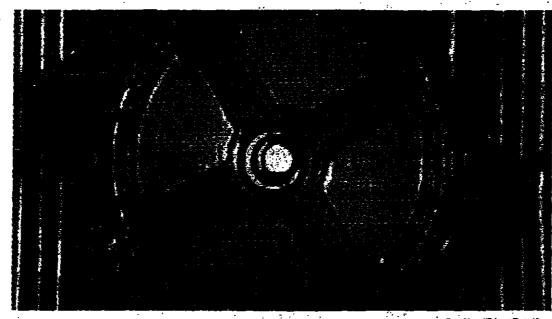
For years, nanoists have operated at the fringes of mainstream science. Yet recent developments in atom manipulation, biotechnology and microtechnology have begun to lend credence to some of the discipline's ideas. "Nanotechnology as a science is gaining respect," says Richard Smalley, a professor at Rice University in Texas.

One sign of nanotechnology's new standing is Rice's nanotechnology centre, which will provide a forum for discussion and experimentation in the field. Nanotechnology is also attracting the attention of the cor-porate world. Drexler has given lec-tures at companies such as 3M. Apple Computer has helped sponsor conferences by the Foresight Institute, Drexler's research organisa-tion. And John Walker, founder of the California software company Autodesk, donated \$175,000 (£115,000) to help start the Institute for Molecular Manufacturing, which in turn funds the Foresight Insti-

Drexler believes the mainstream scientific community is too short-sighted and narrow-minded to place sufficient faith in his research. Most people have a hard time imagining invisible factories churning out desired goods, but Drexler insists his ideas are not off-base. "People can't see what goes on inside a computer chip, but they still believe in what it can do for them," he says.

Advances in biotechnology may show that the idea of a molecular factory is far from absurd. Biotechnology uses large molecules like proteins to produce substances in the body in a factory-like manner. In the industry's early days, biotech researchers depended on naturally occurring proteins to work their

Today, though, advances in the understanding of molecular structure enable scientists to design their own bio-molecules. And these man-made molecules are being used not in the human body, but in the



The molecular factory

Victoria Griffith on the wonders of nanotechnology

production of plastic-like polymers for use in manufacturing. "Biotechnology is nanotechnology," says David Braunstein, a bioapplications scientist with Park Scientific Instruments, which makes microscopes for atomic manipulation.

Many in the medical field would disagree. In fact, scientists are fight-ing over the definition of nanotechnology. "I don't think people in the biotechnology or chemistry disciplines are keen on having their fields renamed," says Donald Eigler, a researcher at IBM.

Although biotechnology may lend credence to nanotechnology concepts, to most scientists nanotechnology refers more specifically to the idea of manipulating individual atoms to create certain structures. In Drexler's vision, atoms could be put together to form microscopic pistons and gears in a shrunken version of a manufacturing plant. While that particular view seems outlandish to many mainstream researchers, recent breakthroughs make it easier to imagine constructing structures atom by atom.

Small advances in building atomic structures are big news for nanoists. In 1986, AT&T succeeded in placing germanium atoms on a

germanium surface. In 1990, IBM spelt out the company name with individual xenon atoms on a nickel surface, while in 1994 its researchers dug trenches on a silicon atom. The trend toward miniaturisation

also fuelling faith in a nanoist future. The computer industry is at the forefront of miniaturisation, which helps explain the sector's keen interest in nanotechnology. Every few years, scientists in the industry slim down computer parts dramatically. Twenty years ago, most computer circuits measured five microns in width. Today, some circuits are just one quarter of a micron - 250 nanometres - across. Within the next decade, observers say, circuits could shrink in size to

That thickness would place the computer industry within the realm of nanotechnology. "One hundred nanometres will be like hitting the sound barrier," says Smalley. "At that point, everything starts to

just 100 nanometres.

While many scientists are convinced that nanotechnology will soon become industrially relevant, mainstream science remains sceptical of Drexler's vision of microscopic manufacturing. "It is a big leap of faith to go from moving some atoms around to creating molecular robots," says Julius Rebek, a chemistry professor at the Massachusetts Institute of Technology. "It is just not convincing." Even Eigler of IBM, who spends

his days shifting atoms around, is critical of the idea of creating elaborate molecular structures. "The oxygen molecule, for example, binds hard to a metal surface. That molecule is tougher than I am and there is no way I could get it to budge." Although there is sharp disagree-ment about how far the burgeoning field of nanotechnology can be taken, a growing number of scientists feel the science is gaining rele-

vance. Drexler and his critics in the nanotechnology field may be aiming for the same thing: to understand and imitate the workings of nature. Nanoist engineers seek to make complex structures from atoms in the same way nature builds trees, mountains and human beings out of molecular raw material. "Nature is the ultimate nanotechnologist, says Braunstein. "What nanotechnologists are after is nothing more and nothing less than to understand and extend what nature already

Help from Deutsche Bank

Germany's biggest bank is focusing on start-ups, says Andrew Fisher

ermany's biggest bank has started to worry about where its future custome will come from and has decided to offer a helping hand to struggling young technology companies.

Carl Ludwig von Boehm-Bezing. a director of Deutsche Bank,

explains: "When banks look at what they are financing, it is mostly the manufacturing industries of the last century with some innovations from this century." The German tenth the size of that in the US and the bank wants to help fill the gap. We need to catch up in new technologies like biotechnology

and microelectronics," he says. Deutsche Bank has gone into partnership with Fraunhofer, the applied research body, to help small technology companies bring products to market and avoid wasting research money. "We want to prevent things being invented twice," Boehm-Bezing says, noting that some DM24bn (£10.4bn) in development costs is wasted annually through such

duplication. With Fraunhofer's help, the bank is producing a technology atlas on CD-Rom. This will carry details of research and technology institutes and companies, technology trends and financing programmes, with a regional breakdown. It has also published handbook to help technology companies manage innovation, product development and marketing.

Why does such a large bank want to engage in small-scale financing which consumes so much time and effort, however promising the returns? Boehm-Bezing says venture capital is so underdeveloped in Germany that big banks must become involved. At a time of high unemployment and weak economic growth, the job-creating possibilities of small companies and the need for risk capital are receiving greater attention.

Specialised venture-capital companies – of which there are few in Germany – are rigorous in choosing investment targets. Deutsche Bank, with Fraunhofes

in a consultancy role, has also spent much effort on finding its first technology stakes. Since mid-1995, the bank and two new affiliated investment units - DGIB (specialising in stakes in innovative companies) and DMBG (investing in Mittelstand, or medium sized, companies) - have been in contact with 480 firms.

These contacts have so far resulted in four minority shareholdings totalling DM7m and negotiations are under way with 11 others across the technology spectrum. The first stake was in Nupron, a biotechnology company producing proteins; Nupron is investing DM45m and creating 50 jobs. Deutsche Bank has also put technology-financing experts in its main branches to advise on loans to innovative businesses.

Such companies often find the going tough in Germany. Finding start-up and development funds can be difficult in a country so wary of risk. For investors, there is a lack of stock market exit possibilities to enable them to take profits on shareholdings in

small companies. "In a society that is bureaucratic, over-regulated and risk-averse – and our society is like that - it is very hard to make the mental breakthrough," says Boehm-Bezing. But he sees hopeful signs, both in the government's willingness to study the matter and the Frankfurt stock exchange's efforts to stimulate a market in small technology-related issues. He laments that the tax regime does not encourage wealthy investors or institutions to take stakes in young or start-up companies.
"There are some business angels (entrepreneurs who provide venture capital] but we need many

Germany also lacks pension funds putting part of their investments into venture capital to enhance long-term returns. In the US, 61 per cent of venture-capital finance goes into new technologies such as biotechnology, medicine, software and communications, says Boehm-Bezing. In Germany, the figure is a mere 7 per cent

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Tuesday June 4 1996

THE WORLD SHIPPING INDUSTRY

Bright at first, but changeable later

Seaborne trade is booming, but strong cross currents will be felt at this week's world shipping conference in Athens, writes Charles Batchelor

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Prospects for the world shipping industry should be bright. Seaborne trade is forecast to double over the next 15 years in response to growing consumer affluence and increasingly international patterns of man-

Yet as the world shipping community meets in Athens this week for the biennial Posldoma exhibition, which brings together shipowners, brokers, equipment suppliers and financiers, it will have a host of problems on which to brood. A complaint in the UK and

some other developed countries is that although shipping is a £100bn industry worldwide, with a crucial economic and defence role, it is frequently taken for granted by governments and the general public. Much shipping activity. by its very nature, takes place far removed from public gaze and a shift to third world crews has meant that even when things go wrong and lives are lost little attention is paid in the western media.

It takes a tanker grounding on a sensitive shoreline or the sinking of a passenger ferry in European waters to focus attention on the shipping industry and then the interest

is generally critical. At the commercial level the industry is having to cope with over-capacity in several important sectors which is putting downward pressure on returns. At the same time, increased awareness of environmental and safety issues is pushing up costs. The traditional method

used to restrain unbridled competition - through "conference" agreements - is under attack by regulators. Yet attempts to liberalise shipping markets at negotiations under the aegis of the World Trade Organisation have been blocked by the US.

Coping with change has become a way of life for the shipping industry. Containers have revolutionised the general cargo trade while the mechanisation of port activities has cut turn-round times and improved profitability.

At the same time the large merchant fleets of the traditional sea-faring nations have declined to be replaced by much more diverse patterns of ownership. These include the fleets of the large, predominantly far eastern corporations and the single vessel companies owned by the Greek shipping community and others.

Making profits from shipping depends as much on corrency movements and on timing expansion to catch growth in one of the industry's many subsectors and retrenchment to beat the downturns, as on the day to day business of running ships.

Buying and selling vessels at the right point in the cycle can often make the difference between a profit or a loss on overall operations. The large shipping companies frequently find it hard to justify their shipping activities using conventional yardsticks to their shareholders. Yet the private or family owner applies different financial ratios and can often do well in difficult markets.

Despite the low profitability of parts of the industry there is no shortage of capital to finance the acquisition of new or second-hand vessels. After a period of retrenchment banks have returned to the market for shipping finance in large numbers. Pressure on the mar-gins on corporate lending generally means that relatively

good returns are available from shipping loans.

One of the most buoyant sec-

ference arrangements.

The tanker market has been more subdued reflecting low levels of increase in oil consamption around the world and the growth in the role of North Sea production and other "short haul" areas. Growth rates are likely to remain low until demand for Middle East oil, which must be shipped long distances to consumers, picks up again. On the positive side for profits, the scrapping rate of elderly tankers has exceeded new deliveries for the past two years and a further contraction of the tanker fleet is expected, according to a recent review by

Demand for dry bulk carriers, which move cargoes such to remain depressed.

In the passenger shipping sector, cruise ship owners have been ordering massive new

tors for many years has been container shipping with recent annual growth rates of 9-10 per cent. This has been fuelled by the expansion of trading activity in Japan and south east Asia and the application of containers to a wider range of products, including many lowcost commodities.

But this growth in business volumes has been outstripped by the ordering of new and larger container vessels. The new ships are capable of carrying up to 6,000 containers each but are unlikely to find full employment in the near future. Many of the larger container groups have formed alliances in order to plan their timetables more cost-effectively and share expensive terminal facilities. The alliances do not involve price-fixing arrangements and have thereby avoided the difficulties associated with the traditional con-

flagship Oriana and Carnival Corporation's Carnival Destiny in anticipation of further expansion. Substantial growth will depend on making cruising more of a wass market holiday in Europe and in developing the markets of Japan and south-east Asia. The north European ferry market, meanwhile, has been NatWest Securities. thrown into turmoil by the opening of the Channel tunnel.

as coal and ore, has been strong but so has the rate of ordering new vessels and returns in this sector are likely

craise liners including P&O's adjust to tougher safety regula-

The initial response of the ferry companies has been to increase capacity in a struggle for market share but rapid retrenchment is expected as the costs of this strategy

The ferries, and other shipping sectors, are also having to will apply around the world.

tion. The sinking of the Estonia in the Baltic in Sep-tember 1994 with the loss of more than 900 lives has led to a tightening of ferry safety standards in north-west European waters and ferries will be required to fit partitions or bulkheads on the car decks or instal additional buoyancy aids. Cruise liners meanwhile have been required to meet far tougher fire-resistence standards while tankers have been made subject to tighter envi-

ronmental laws following the grounding of the Exxon Valdez off the coast of Alaska in 1989. For an industry as international as shipping, the best response to such disasters is to agree a set of standards which

The London-based International Maritime Organisation, a United Nations agency, has produced a raft of valuable regulations over the past three and a half decades. But it relies on reaching consensus and even when new rules are

agreed it can take years for

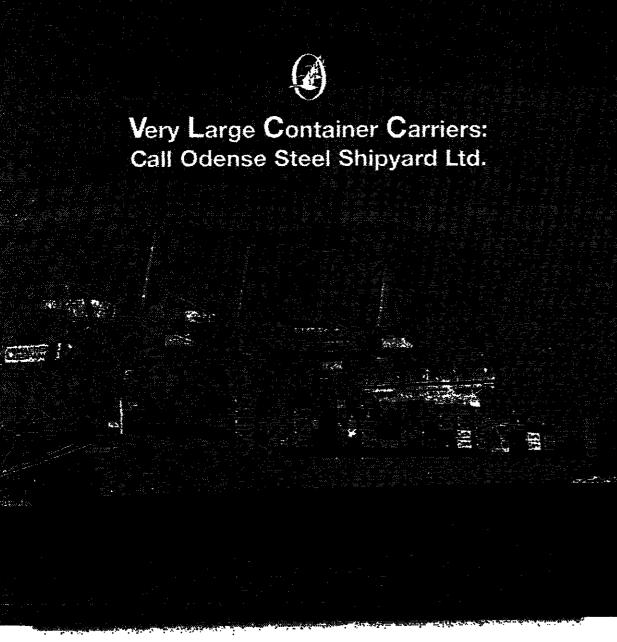
governments to enforce them. The US government's response to the sinking of the Exxon Valdez by-passed international procedures and imposed a burden on the tanker industry which many operators felt was unduly harsh. The Oil Pollution Act of 1990 has undoubtedly kept some sub-standard vessels out of US waters but by requiring tanker owners effectively to insure against unlimited liabilthe industry generally.

The counterpoint of tighter

regulation of matters such as safety is a greater liberalisation of the markets in which shipowners operate. But it has proved remarkably difficult to put together an international agreement to open up the shipping sector. Negotiators have spent the past two years attempting to reach an agreement on liberalising world merchant shipping within the framework of the World Trade Organisation. Shipping had been dropped from the original Uruguay Round of trade talks which were concluded at the end of 1993 to avoid delaying a general trade agreement.

ficult to do a deal within the WTO. The US has been widely blamed for failing to table new proposals following the withdrawal of the modest offer made during the Uruguay Round. In an election year and faced with pressure from its maritime unions the US appears reluctant to act.

Some observers say that commercial pressures have already opened up the shipping market and that a formal trade agreement would make little difference but others are keen for liberalisation to be given official backing. It would be ironic if an industry which depended on the free flows of world trade was unable to devise its own liberalised But it has proved just as dif-framework for doing business.



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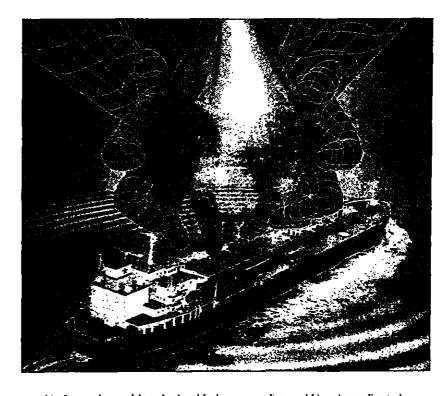
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Fast cats are on the prowl

While older vessels are being made safer, aluminium catamarans are all the rage

When Sea Containers, the property and transport group which owns Hoverspeed, introduced the first high-speed ferry on to the UK market in 1990, whelming. Passengers complained that the new ships gave them terrible sea-sick-

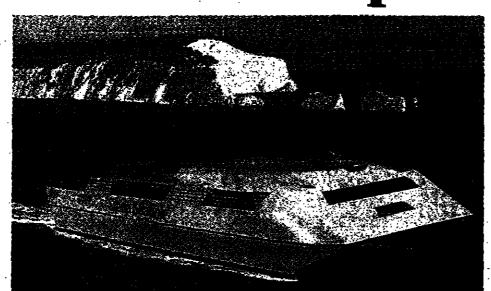
Six summers later and high-speed ferries are all the rage and are being introduced on a range of routes around the country. In April Steps. the world's largest ferry operator, introduced the Explorer on to the Irish Sea. By the end of this year, nearly half of its UK fleet will be high-speed ferries.

This summer will be a crucial test for the new ferries to see if they have properly overcome those teething problems and to assess whether they will have the revolutionary impact on the industry that their supporters claim.

Powered by up to four gas turbine engines, and backed by 100,000 horse power, these new aluminium-hulled vessels travel twice as fast as conventional ferries. Yet they are much larger than hovercraft, some of them carrying up to 1,500 passengers and nearly 400 cars, the same as the largest conventional ferries.

They have all the flexibility of a multi-purpose ferry, but go at double the speed." says

Not everyone in the industry, however, is gushing with enthusiasm about the new craft. P&O European Ferries, alongside Stena the largest operator in the country, has taken a much more relaxed



Bigger and faster: artist's drawing of the new Stens HSS, five times bigger than the largest high-speed ferries

fast craft for the Cairnryan -Larne route which will commence sailings in June. But Mr Graeme Dunlop, chairman of P&O European Ferries, says that he is waiting to see what response the new ferries get before chartering any more. "We would rather be second than be a pioneer." he says:

And unlike Stena, he says he does not believe that there is a place for the high speed ferries on the high-profile Dover-Calais route.

This difference in opinion strikes right at the heart of the future of the ferry industry. To Stena, the introduction of the faster ferries on the shorter Channel crossings is an essential component in its strategy to deal with competition from Eurotunnel, which carries cars and passengers across the Channel in a third of the time.

"Increasing the speed of our service is a key part of replacing the attraction of on-board duty-free sales when they expire in 1999," says Stena. However, according to P&O,

speed is not crucial on the Dover-Calais route. "There have been faster craft on the Channel for 20 years in the form of hovercraft, and 94 per cent of travellers have still preferred to go on conventional ferries," says Mr Dunlop.

Perries are now "floating supermarkets", he says, selling clothes, compact discs and gifts, not just duty-free. The faster craft will not give passengers enough time to do some shopping on a Dover-Calais trip, he argues. There is no consensus on what is the best design either. Sea Containers pioneering vessels were catamarans built in Tasmania by Incat. Stena's high-speed crafts are also twin-hulled.

However, Sea Containers has recently put in a \$200m order for six new ships, all of them monohull - the first two are now under construction at Fincantieri in Genoa. It says the monohull craft are slightly faster and are cheaper because they use less aluminium. P&O has followed suit, opting for a monobull ship. The high speed ferries do not come cheap -Stena is paying around £65m each for its new vessels. And they are being introduced at a time when operators also face the cost of complying with new safety criteria for roll-on, rolloff ferries, which were prompted by the 1994 sinking of the Estonia in the Baltic

with the loss of 900 lives. The ferry companies expect to hear shortly from the Department of Transport what the exact timetable will be for implementing the new standards, which could cost several million pounds for some fer-

Despite the Estonia tragedy, an agreement on safety improvements was a long time in coming. Last November a conference of the International Maritime Organisation, a United Nations agency, failed to agree on more stringent rules after several southern European countries argued that the calmer Mediterranean waters did not require such

■ Shipbuilding: by Stefan Wagstyl

Europe's yards put value before volume

Old European shipyards are beating an untidy retreat before tough Asian rivals

The bankruptcy this year of Bremer Vulkan, Germany's biggest shipyard, bas shaken world shipbuilding.

The collapse of the 102 yearold company highlighted the severity of competition among shipbuilders, and the extent to which once pre-eminent European yards are losing ground to their rivals, principally in

Japan and South Korea. The South Korean yards are expanding capacity in the hope of winning market share and establishing themselves above Japanese shipbuilders as the world's top producers.

But their ambitious invest ments are helping to extend the chronic over-capacity which has dogged the industry since the 1970s. As a result prices and profits for most shipbuilders remain under fierce pressure - with the exception of some specialised markets such as cruise liners. There is so much over-capacity that even the prospect that the world's ageing tanker fleet, much of it built before 1980, will soon need replacement They were suspicious that has yet to have a significant act on shipbuilders' prices

Drewery Shipping Consultants of London forecasts that while annual world shipbuilding revenues are likely to rise by 35 per cent by the year 2000 the outlook for shipbuilding is "uncertain and in some cases bleak". It says in a report published last year on prospects for 1995-2000: "Large and entially massive overcapacity combined with persistent interference in the market in the form of government assistance means that revenue will be spread thinly, presenting huge problems to the viability

of many yards." Analysts estimate that the world's shipyards can produce about 30m gross tons a year but are building only about 25m gt. Moreover, the Korean yards' expansion plan envisages increasing their capacity by more than 3.5m gt to over 7m et. Even the fact that a previous surge in investment in the 1980s brought the South for a government rescue does not seem to have robbed the country's yards of their aggressive pursuit of business.

Japanese companies are responding to the pressure by trying to retain market share, despite the ferocious squeeze on margins. In the year to

March, Japanese yards received orders for 10.2m gt. the second successive year when the total exceeded 10m gt. Even though the yen's ent fall from about Y80 to the US dollar to above Y100 has made life slightly easier, yards are still having to cut costs to win orders. Ishikawajima Harima Heavy Industries this year announced plans to reduce its shipbuilding work-

force by 500 to 1,900. Meanwhile, Sasebo broke an agreement dating back to the cond World War under which it serviced US navy vessels for nothing. The company said it could no longer afford this diplomatic luxury.

To try to secure their

European shipbuilding has fallen since 1975 from 460,000 to upder 120,000.

Buropean yards have countered the east Asian challenge by pulling back from making the large tankers and drygoods carriers at which the Japanese and Koreans excel. They have focused instead on high added-value vessels such as gas and chemicals carriers. ferries, and, above all, cruise ships. These account for only about 10 per cent of the market by weight, but they make

up about a third by value. But the attachment of governments to national shipyards has prevented Europe's shrinking share of the market from being properly distrib-

| Completions by prin | cipal shipbuilding |
|---------------------|--------------------|
| countries (*000 | gross tons) |

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|-------------|-----------|-------------|---------------|-------------|
| Country | 1990 | | 1995 | |
| Brazi | 255 | | 172 | |
| China | 404 | | · 784 | |
| Talwan | · 685 | ·, | . 488 | |
| Denmark | 408 | | 1,003 | |
| Finland : | 256 | | 317 | |
| Germany | 874 | | 1,121 | |
| Italy | 392 | | 395 | |
| Japan . | 6,663 | | 9,263 | |
| S. Kores | 3,440 | | 6,264 | |
| Netherlands | 190 | | 205 | |
| Polend | 141 | | 524 | |
| Romania | 175 | | 229 | |
| Spain | 367 | | 251 | |
| UK | 127 | | 126 | |
| | | | Daywood Basel | of the same |

long-term future, yards are buying increasing amounts of components from overseas and signing work-sharing partnerships with yards in low-cost countries, notably China. Japanese companies are also refining their legendary skills in man-management, recruiting more qualified young gradnate engineers to counter the fact that the bulk of the industry's experienced workers is edging closer to retirement.

European yards have found it more difficult than the Japanese to compete with South Korea. Bremer is not the only European yard under pressure. Last year, Denmark's oldest yard, Burmeister Wain, went into receivership after 152 years. Greece is struggling to find a buyer for the stateowned lossmaking Hellenic

Shipyards, the largest in the eastern Mediterranean. Madrid is:facing difficulties restructuring Astilleros Españoles, the wned yards which have run up accumulated los about \$3bn (£1.94hn). Despite the taxpayers'

money poured into the industry, western Europe's share of the world's capacity has fallen from nearly 40 per cent to under 20 per cent in the past two decades. Job cuts have been harsh: employment in uted among the most efficient producers. Despite efforts by the European Commission over 10 years to reduce subsidies, governments have successfully secured exemptions from subsidy limits, notably in Spain and Portugal and most recently in eastern Germany.

The proliferation of subsidies has kept yards in business and workers employed, but it has created a fragmented and uncompetitive industry. While South Korea has five big producers and Japan eight. Europe has a score of national operations. Size matters because a big yard is betterplaced to secure a flow of orders for similar vessels, so cutting design and engineering costs and allowing for efficient yard management.

Commission officials argue that as long as other countries - including South Korea - 1 anbsidise yards through cheap loans and other techniques. Europe. They say that Europe will abide by a planned international agreement outlawing subsidies which has been negotiated under the auspices of the OECD. This is due to be implemented this summer but at the time of writing was being held up by delays over its ratification in the US.

Ferries rule the waves where the British sun never set

You don't have to be British to fly the flag. The Union Jack is boldly emblazoned on the hulls of a fleet of USowned catamarans which dash between Seattle and Victoria, capital of British Columbia.

They are run by Seattle-based Clipper Navigation company founded 10 years ago to provide rapid round-thevear service between the two north-west Pacific coast cities.

Paradoxically, though, one company's recent anxieties has been that the squeeze on European ferry companies following the opening of the Anglo-French Channel Tunnel could cut the price of ferries, and tempt newcomers into the busy sea lanes of the north-west Pacific.

Clipper Navigation is one of seven ferry companies which operate in and

out of Vancouver Island, including Victoria, the island's biggest city. They compete not only with each other but increasingly with operators of fixed-wing aircraft and helicopters, mainly to Vancouver, BC's biggest mainland

In the second quarter of last year, ferry traffic in BC rose 5 per cent, including 3m passengers on the main Vancouver Island routes. It has contin-

tage of the cheap Canadian dollar. BC Ferries, the government operator of big car ferries between the Canadian mainland and Vancouver Island, has recently ordered three fast catamarans at a total cost of C\$210m. The 1.000-passenger, 250-car vessels, the first of which is due to enter service next year, will cross the the 32 nautical miles of

the Georgia Strait between Vancouver's Horseshoe Bay and the island in just over 60 minutes instead of 90.

Clipper Navigation, which operates smaller, passengers-only catamarans from Seattle to Victoria and the San Juan Islands, is also expanding. It has added a fifth vessel and doubled the power of another by changing from diesel to gas turbine engines. This, claims Clipper, makes it the fastest sphere with a top speed of 45 knots (53 mph), reducing the Seattle-Victoria run from 2% to 1% hours.

BC Ferries' new vessels, which will have aluminium hulls, are to be built by a consortium of Vancouver shipyards with assistance from Finyards of Finland, which recently built an even bigger high-speed

aluminium catamaran for Stena of

strict safety standards.

As a result seven north

European countries negotiated their own agreement - the

so-called Stockholm rules, after the city where the talks were

concluded. The agreement affects all ferries on interna-

tional routes in north-western

The new rules require that

ro-re ferries should not capsize

even if they have up to 50 cen-

timetres of water on the car deck. As a result some ferry

operators will be required to

install new bulkheeds, or parti-

The Estonia and the Herald

of Free Enterprise, which sank

off Zeebrugge in 1987 with the

loss of 193 lives, both capsized

rapidly after water poured on

The Stockholm rules do not

have to be fully applied until

2002: However, implementation is to be staggered with the

worst ships being required to

abide by the new rules first.

Ferry companies are currently

tank-testing their fleets to see

which ships will need modifica

tions, and it is expected that

the older vessels will be

Until the tests have been

completed and the timetable

published, the ferry companies

applying the new rules. 🕟

will not fully know the cost of

The large UK ferry compa-

nies said throughout the nego-

tiations that they would com-

ply with whatever was agreed.

French ships would not be

required to abide by the same

rules, but a compromise was

later agreed.
The November IMO confer-

ence was not totally fruitless,

however. It was agreed that

the so-called Solas '90 safety

provisions, which relate to ship

stability, should be applied

throughout the world ferry

industry, and not just the ships

tions, on their ships,

to their car decks.

affected the most

Clipper's prominent use of the UK flag is motived as much by self-interest as sentiment. Since it is also incorporated in the flag of British Columbia, US visitors to Victoria, that quintessentially British city, could be mistaken for thinking they are visiting the real thing.

At Victoria's city-centre harbour the province's imposing Edwardian parliament building and the vast Empress Hotel whose afternoon and high tea ceremonies would be more appropriate in Bournemouth or Tunbridge Wells - before the sun set on the British Empire.

Maurice Samuelson

The role of London; by Charles Batchelor

nder siege on the River Thames

London must do more to retain its international preeminence as the

industry's focal city The decline of the British merchant fleet has prompted fears that London's pre-eminence as a shipping centre could be endangered. Two recent reports have highlighted this issue, one identifying a drop, in real terms, in London's shipping earnings

and the other pointing to

potential threats to its posi-

Many of those involved in shipping fear that if the supply of experienced British ships captains dries up then special ist sectors such as the classification societies, which carry out technical inspections, would have difficulties recruiting people with the right skills. Training colleges, meanwhile, report a shortage of suitably qualified trainers.

Efforts by the shipping industry to win concessions from the government in its treatment of the British fleet have had little effect despite the relatively small sums involved. While the government looks the other way,

registration of their vessels and their crews offshore. In 1926 the UK merchant fleet comprised more than 19m

gross tons or nearly 31 per cent of world fleet. In absolute terms the tonnage figure held steady until the late 1960s when it increased to peak in the mid-1970s and then fall back. By 1993 the UK registered merchant fleet was just 6m deadweight tons. The UKowned fleet fell to just over 13m dwt in 1993 or 1.9 per cent of the world fleet.

The city's earnings from maritime related activities, such a ship-broking, legal serin the decade to 1994, according to a study published in March by the Chamber of Shipping. Total maritime service earnings, including those from the troubled Lloyd's insurance market, fell by £300m from £1.28bn to £980m over the 10year period. This was a decline of £600m or 53 per cent after. excluding the impact of infla-

Even assuming that Lloyd's arnings had recovered to their 1984 level, this would still only produce a 1994 earnings figure of about £1.3bn, a decline of 37 per cent in real terms. The chamber, which repre-

ers, was unable to establish a direct link between the contraction of the UK merchant fleet and the decline in maritime services. But Mr Mark Brownrigg, policy director, points out that other centres where shipping activities have declined such as New York. have seen a parallel decline in services, Others, such as Singapore and Cyprus, where physical activity has increased, have seen a growth in services.

The chamber's survey showed that the financial services sector, including banks, finance companies and equity providers, had suffered the most marked decline, from £387m in 1984 to £156m 10 years In contrast, legal services, up

from £68m to £126m, had experienced the strongest growth. The decline in the banking sector was due in part to both UK and foreign banks carrying out more shipping business outside London.

An earlier study, carried out by London Business School for the Corporation of London, provided less financial detail but was more thorough in its analysis of the problem. This report, published in October 1994, found that London's shipping markets - for marine insurance, ship broking and ship finance – had maintained their position because of their liquidity and expertise. The combination of shipping services meant deals could be concluded in one centre.

Established markets can sustain their position against newcomers because the breadth of services available is difficult to replicate, the study found. London's established reputation also played an important role in attracting business.

The size of the marine insurance market meant risks could be priced competitively and a good service offered in terms of claims handling and the diversity of risks accepted. How- in London providing loan



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ever, the poor financial performance of the sector in recent years and strong competition from continental European reinsurers could threaten London's position, the report conequity listings.

The shipbroking sector. meanwhile, depends on the efficient distribution of information. Brokers traded information about recent transactions which allowed them to establish trends in market prices. Despite the decline of traditional meeting places such as the Baltic Exchange and the growth of electronic methods of distributing data, personal contact remained important. In a market where prices are often far from transparent shipowners and charterers must have confidence in the brokers' ability to determine prices accurately.

But London's advantage in shipbroking also depends in part on the presence of a large number of foreign owners, principally the Greeks, who are sensitive to changes in the tax regime. There is a large community of international banks

finance but a shift to bond offerings could make the US relatively more attractive while the Oslo stockmarket had increased its share of

The financial and other pressures on shipowners to move their fleets and crews away from relatively high-cost centres such as London are very strong. P&O Containers decided last December to move five of its 27-strong fleet from the British to the Bermudan flag and to replace 90 British

ratings with Filipino crew. This decision was followed quickly by an announcement that Royal Dutch Shell, the Anglo-Dutch oil group, was to transfer the employment contracts of 1,000 British, Dutch, French and German officers on its 54-strong tanker fleet to Singapore as part of a programme to reduce operating costs by 40 per cent.

The Chamber of Shipping and Numast, the union representing ships' officers, have called for British shipowners to be given the same treatment as many foreign rivals in areas such as training support, taxa-

tion and insurance premiums The chamber lobbied unsuccessfully in advance of the November 1995 budget for the government to waive National Insurance contributions for British seafarers, a step which would save the industry £17m a year. "If shipowners move ships or crew contracts abroad then the government loses the insurance contributions any-

way," says Mr Andrew Lining

ton. Numast spokesman The shipping industry argues that it deserves a break both to bring it in line with foreign competitors and because of the uniquely mobile nature of its business and its assets. Ships can be operated from ports and offices anywhere in the world and will move if conditions are more attractive elsewhere.

The government has made concessions, in the shape of roll-over relief on ship sales and purchases and an easing of the need for registry with the British flag. But the industry remains fearful that London's financial position will be further eroded unless more effec■ Safety and environment: by Charles Batchelor

Danger in numbers

Safety at sea is not helped by the sheer profusion of official agencies and national registers

Governments and the world shipping community have given a high priority to preserving life and protecting the environment in recent years. Bookshelves of international and national regulations have been written but the roll call of groundings and sinkings con-

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tinues to lengthen. The Estonia, the Sea Empress, the Exxon Valdez and the Derbyshire. Each loss has prompted a frenzy of activity among governments and the organisations responsible for maritime safety. But the diversity of the world's shipping fleet and the financial pressures on ship owners mean that watertight regulation is difficult to achieve.

The International Maritime Organisation, the Londonbased United Nations agency responsible for co-ordinating global efforts to raise safety standards and prevent pollution, has committees in almost constant session. But its efforts are hampered by the need to achieve consensus and the conflicting priorities of its 153

"Although a great deal has been achieved during the last 36 years [the IMO was established in 1959] shipping safety is still a major concern and the oceans are far from clean," Mr William O'Neil. IMO secretary general, wrote in the International Chamber of Shipping's 75th Anniversary review published last month. Despite the fact that the IMO had adopted more than 40 different treaties covering 98 per cent of world, shipping accidents still occurred, he noted.

"There is no doubt that standards do vary and some owners care more about safety than others. I believe that we need to make safety and the protection of the environment part of the culture of shipping. They must be made priorities,

not afterthoughts." The main problem facing IMO is persuading governments speedily to implement new regulations once they are agreed. Even relatively simple improvements can take time to be adopted. A scheme to provide every ship with a unique identification number which was due to take effect last January has still not been acted upon by many governments and shipowners, Mr

warned in March. This scheme, first introduced as an IMO recommendation nine years ago, would allow a ship to be identified no matter how many times it changed owner, flag or name. "The scheme is extremely simple, involves no cost for the industry and yet promises to be extremely effective in improving safety and combatting crime at sea," Mr O'Neil said.

Despite proposals from some governments, including Britain, for a more considered approach to assessing risk, the shipping industry, like many

others, is normally prompted



Questions to answer: spraying dispersant on the UK's latest big oil spill

into making safety improvements only in response to specific disasters. Recent incidents have led to a review of safety in three main areas of shipping: ferries, oil tankers and

dry bulk carriers. The sinking of the Estonia in the Baltic in September 1994 with the loss of more than 900 lives has led to a far-reaching review of safety procedures on roll-on roll-off ferries. Some observers remain dissatisfied with the progress that has been made but it is now widely egreed that the large open car decks of these vessels repre-

sent a serious hazard. The IMO ordered a rapid review of ferry safety following the loss of the Estonia, by-pass-

The list of tanker groundings grows longer

ing its normally time-consuming procedures. But despite the shock at the size of the death toll and strong pleas for action by many members the IMO was unable to reach an international agreement. The IMO approved a set of safety standards, including a requirement that ro-ro ferries remain affoat even when they have taken 50 cm of water on their car decks, but left it up to member states to reach bilateral agreements on applying the higher

standards. While north European countries were strongly in favour of tougher standards, those bordering the Mediterranean, where weather conditions are less fierce, were unwilling to incur the additional costs of partitioning their car decks or installing additional buoyancy features. But progress has been made on a regional basis and last February seven north European countries agreed to apply the tougher standards by

Tanker safety has been under almost constant discussion since the grounding of the Exxon Valdez off the coast of Alaska in 1989. Two subsequent groundings in British waters - the Braer off Shetland in January 1993 and the Sea Empress in the entrance to Milford Haven harbour last February - reinforced the urgency of improvements.

The Exxon Valdez prompted a radical tightening of US regulations covering tanker shipments under the Oil Pollution Act of 1990. This laid down requirements for the phased introduction of double-hulled tankers and imposed stringent liability standards, and hence extra costs, on shipowners serving US ports.

The Braer sinking led to the commissioning of the Donaldson report by the British government. Lord Donaldson made more than 100 recommendations including a more rigorous system for inspecting ships on arrival in port. improved exchange of information between charterers, insurers and the regulators to identify substandard ships, and the positioning of powerful tugs around the coast to help ships in trouble.

It was the government's failure to agree to the positioning the International Association of a tug in the western approaches to the English Channel which led, in the view of some observers, to the loss of a large part of the Sea Empress's cargo of oil. Others blame the fact that the vessel had one and not two hulls though an official investigation is continuing.

Intertanko, the organisation of independent tanker owners. says it is not just the shipowners who are at fault when

pollution occurs. It criticised governments for failing to introduce traffic separation systems near busy ports and for failing to install shorebased beacons which could locate vessels.

The safety of bulk carriers has been the subject of controversy following the loss of the Derbyshire in a typhoon in 1980 with the loss of its entire 44-strong crew. The discovery of the vessel, under nearly three miles of water off Japan in 1994, raised the prospect that more would be learnt about its fate. But the view has strengthened in recent years that the design of large bulk carriers failed to keep pace with the increase in size of these vessels. The IMO last month began consideration of placing limits on the use of older bulkers for the carriage of very heavy cargoes.

A problem which has bedevilled improvements in shipping safety has been the large number of organisations involved. A ship may be owned, chartered, crewed, registered and surveyed in five different countries, blurring the lines of responsibility. The large fleets once owned by the traditional maritime nations have given way to single vessel companies registered with a flag of conve nience and sometimes manned by a polyglot crew with no common language between

The growth of the flags of convenience has raised questions about the ability of countries such as Cyprus, Honduras, Malta and Panama effectively to regulate the ships nominally under their control. These four countries, with St Vincent, all had losses at or above the international average in 1995, according to the Institute of London Underwrit-

Competition between the different registries is forcing the laggards to raise their standards but there is still a long way to go. Dissatisfaction with the supervision exercised by the flag states has led to a growth of port state control treaties. Vessels are now subject to controls in many ports and run the risk of being held if their equipment or crew do not meet the required stan-

dards. increasing pressure is also being brought to bear on the classification societies which carry out technical inspections of ships when they are being built and once they are in operation. The societies have been criticised for failing to impo strict enough standards for fear of losing business to less demanding competitors.

The 11 societies grouped in of Classification Societies, responsible for more than half the world's fleet and 90 per cent of its cargo-carrying tonnage, responded last July with a seven-point plan to tighten their rules. These included the automatic suspension of a vessel's classification certificate if the owner failed to carry out the regular five-year survey and a bar on a vessel switching societies until all overdue repairs had been carried out.

■ The maritime power of Greece: by Nigel Lowry

Hellenes' thousand ships

National traditions explain why Greek owners control half the European Union's merchant fleet

Fifty years after Greece rebuilt its ravaged fleet from 100 American surplus war cargo ships, its shipping industry appears to be on the crest of a wave.

Since 1989, Greece has controlled the largest merchant fleet in the world and has been expanding it every year. In April, it reached an aggregate of 130m deadweight tons, or more than 16 per cent of all cargo-carrying capacity afloat.

It is hard to explain other than by tradition why a country with little other clout in international business should be such a power in this highly difficult and capital intensive industry.

"Our success is due, we believe, to our accumulated know-how and experience and our full adherence to the laws of supply and demand," says John Gournas. president of the Union of Greek Shipowners. According to a leading London shipbroker, "Greeks often have the vast technical experience to purchase ships which others would struggle to operate and they are frankly way ahead in terms of looking after their ships properly."

This may explain why the Greek-owned fleet is so large and on average three years older than the international norm. Meanwhile, though, the industry is being rejuvenated from within as new shipowners emerge, blending the hands-on wisdom of their fathers with lit-

eracy in modern business techniques. According to shipping bankers, Greece's maritime community which is spread between Piraeus, London and the US and Switzerland, has anything between \$40bn and \$70bn in reserves. Much is said to be in the hands of older shipping families who have been less active than in the past but might be persuaded to jump in with both feet if freight rates reversed their decline and the price of vessels fell.

Admittedly, there are some clouds on the horizon. There are plenty of complaints about the tide of international and unilateral legislation which has swept the industry. Hackles were raised in Piraeus, for example, by the introduction of a worldwide international safety management code, which will shortly become mandatory for all managers of ships. Despite a subsequent relaxation of Greek reaction, only 1 per cent of companies which have so far satisfied the code's requirements are Greek.

Shipowners have few complaints, however, about their treatment in Greece itself where they have enjoyed offshore status for more than three decades. The main levy on the industry is a flat, reasonable tonnage tax, which is only

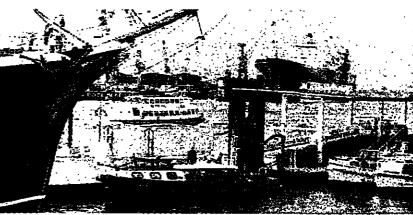
applied to Greek-flag vessels. Consequently, the main talking point between owners and government concerns ways of tempting ships back to the home registry which, even though it has lost about 55 per cent of Greek-controlled shipping, is still large enough to account for about half of the EU-registered fleet.

"We have managed to develop a strong trilateral cooperation between state, shipowners and seafarers," claimed Kosmas Sfyrlon, minister of merchant marine. Keeping internal interference to a minimum has left successive governments free to focus outwards on championing a liberal approach in international maritime forums. "The cornerstone of our policy has always been to retain a freely competitive environment in international mari-

atile spot market rather than locking ships into lengthy time charters which can hinder an owner's ability to take advantage of any sudden boom in freight rates. This may have proved a shrewd stance time and again, but is not usually the kind of behaviour which builds

morale in annual reports to shareholders. Besides, the cost of traditional bank finance for respectable operators has come down in recent years to the point where it probably works out cheaper than equity, and there is no shortage of competition among international banks to provide lending.

Newcomers such as Den Norske Bank. Mees Pierson and ING, all of which are



Hamburg docks: the Greek registry still represents half the EU-registered fleet

time transport," said Mr Sfyriou. On finance, Greek shipping rarely strays from traditional formulae. The Anangel and Tsakos groups, which operate oil tankers and dry cargo vessels, have developed public arms which are traded on stock exchanges in Europe and the US. In 1993, Eletson Corporation, a petroleum products tanker specialist which has been a pioneer in constructing tankers with double hulis, made a successful \$140m bond issue on Wall Street.

But the number of equity or debt offerings involving Greek shipping firms is much lower than their presence in the industry warrants, and financiers generally believe this pattern will change little in the future. Apart from the risky reputation that makes any shipping deal hard to sell to investors, Greek shipowners themselves advance many other reasons for remaining solidly private.

Culturally, most are still reluctant to meet the financial disclosure requirements of outside capital markets, while going public threatens to blunt the flexibility for which they are justly famous. A Greek shipowner likes to pick his moment to buy or sell a vessel and many have made their initial fortune through

asset plays. At the same time, there is a

general preference for trading on the vol-

among this year's arrivals, have enabled the Greek port to surpass London in terms of hosting foreign shipping desks. Whether they have a permanent presence in Piraeus or not, several leuding

banks including Royal Bank of Scotland and the Bank of New York say that loans to Greek clients comprise the lion's share of their worldwide shipping portfolios. Besides banks, other service sectors such as shipyards, English marine law

firms and equipment suppliers have gravitated towards Greece during the 1990s and the burgeoning size of the Posidonia exhibition every two years also attests to the country's growing drawing power in the shipping world.

Yet it would be an exaggeration to say that Piraeus has become an international maritime centre in the true sense. For one thing Piraeus, unlike London, New York or even nowadays Cyprus, is almost entirely for Greeks and offers little in the way of services that the roving international shipping entrepreneur cannot find elsewhere. For another, its infrastructure still leaves a lot to be desired, as shown by a trickle of leading shipowners who have recently left the cramped port for new buildings on the outskirts of Athens. ☐ The writer is Athens correspondent for Lloud's List newspaper

■ Financing options: by Charles Batchelor Steering a new course

Owners find that the banks are not the only source of

· dy finance for shipping Bank lending has dominated the market for shipping

finance over the past two years but bankers detect signs that some of the large shipping groups are extending their financing options.

Shipowners are starting to tap the corporate bond market in the US in what some bankers see as the first step towards using the equity markets. Meanwhile leasing, widely used in the airline and railroad wagon sectors, is starting to make inroads into shipping.

"The industrialised sectors of shipping - chemical and car carriers and oil tankers, which offer the promise of more stable earnings - are starting to use the US capital markets," says Mr Michael Parker, vice president at Citihank Shipping. The shipping companies are starting to think ahead and they can see the value of 10-20 year money.

An increasing willingness to plan for the longer term lies behind a growing use of lease

finance. Citibank expects leasing to account for as much as 5 per cent of total shipping finance this year, up from 1-2 per cent in recent years. Traditionally shipowners have not wanted to commit themselves to long-term leasing arrangements because this would restrict their freedom to particshipping market.

Non-US shipping companies which attempt to tap the US bond market face an uphill struggle because they will be unfamiliar to local investors while shipping has a reputa-tion for volatile earnings. But the number of high yield shipping issues has doubled over the past three years, says Mr Parker.

The larger shipowners are making efforts to acquaint the US credit rating agencies with their activities and some are preparing their accounts in a format acceptable to US investors. Once shipping has established a higher profile it may then be able to move to fully fledged equity issues.

"Very little money has been raised on the stock markets or by private placements," says Mr Rex Harrington, director of shipping finance at Royal Bank of Scotland. "Mortgage lending still accounts for 80 to 90 per

cent of the total." After a period during the 1980s when difficulties in the shipping market led to losses on loan books and to many banks withdrawing from the shipping sector, the banks have returned in increasing numbers in recent years. One banker recently estimated that 111 banks were actively involved in shipping finance compared with 45 four years ago. Pressure on margins in other areas of corporate lending and a growing pool of readily available capital have left the banks keen to develop profitable markets. Because of

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ipate in the active second-hand the risks inherent in shipping, bankers are generally able to

charge higher margins. But the dominance of loan finance also reflects the conservatism of many smaller shipowners. Much lending to such companies is done more on the basis of personal knowledge of the individuals involved and less on a formal credit assessment, says Mr Harrington, But such companies would be unwilling to accept the exposure of their finances to public scrutiny to raise funds on a stock exchange or through a

Leasing is growing and there are moves to the bond and equities markets

private placement or would be unable to satisfy the criteria of the providers of finance.

The last significant round of equity financings occurred in 1993 when companies such as Smedvig Tankships, First Olsen and Bona Shipping came to market or, like London & Overseas Freighters and ICB, carried out share placings or

rights issues. Preparing a private company for a public market place can be a time-consuming and difficult task but it is essential if outside investors are to become involved. "Investors want clean structures which will be acceptable to the major stock exchanges," said one

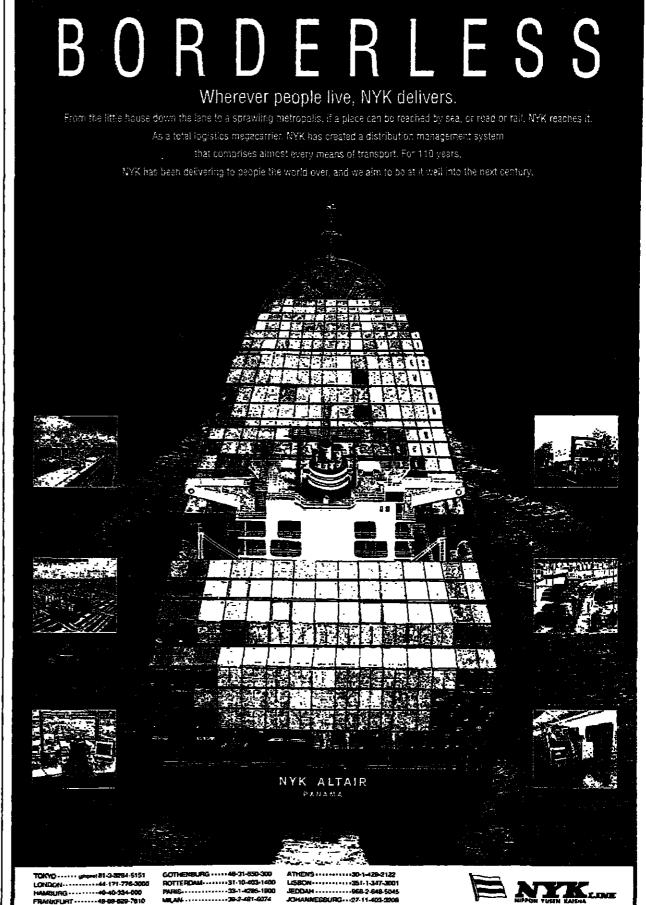
analyst. The absence of a broadly based market in shipping stocks becomes self-fuelling. A shortage of analysts and investors who understand the sector means that any new issue requires an extra effort from its promoters. "For an industry the size of shipping. listed companies are relatively few, so investment research is limited and investor understanding at generally low lev-els," a 1994 study of London's role as a shipping services centre concluded.

The large number of banks now involved in shipping finance have meant that lending terms have moved in favour of the borrower. There are specialised shipping finance banks in continental Europe but many banks engaged in general banking have developed teams to serve the shipping sector. RBS has a team of 60 in Piraeus to serve its many Greek clients.

The high rate of new orders in several sectors of the shipping market is beginning to concern some lenders.

A spate of new orders for dry bulk carriers threatens to depress earnings in this sector in the near future although the tanker sector is closer to balance.

The order book in the container sector currently amounts to one third of the existing fleet, although bankers console themselves that a structural shift to containers is still continuing and the market should be able to absorb the new capacity without too much difficulty.



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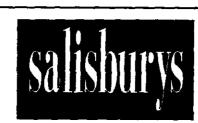
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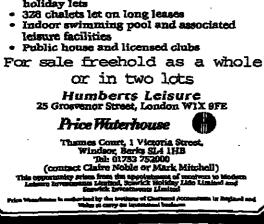
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he last major show of Charles Rennie Mackintosh, architect, designer and painter, was by Andrew McLaren Young for the Edinburgh Festival and the Victoria & Albert museum nearly 30 years ago, in 1968, the centenary of Mackintosh's birth. Yet while it extended his reputation beyond art and architectural history, it also fixed an image of his work that has persisted. For those were the days of the art nouveau revival and its exploitation in modern commercial terms. If Mackintosh the architect was remembered, it was the designer and decorator, all spindles. slats and lattices hung with roses, who was celebrated.

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In the meantime, the fortunes of the work itself have been rather mixed. Even while original furniture was going through the roof at auction, the buildings for which it was designed were being threatened, if not destroyed. Glasgow long remained at best indifferent to its distinguished modernist son. The Scotland Road School (1903)

was threated by a new road, but spared. In 1963, Glasgow University knocked down the house where Mackintosh and his designer wife. Margaret Macdonald, had once lived, though it kept the interiors. These monuments to a shared aesthetic were reinstated in 1981 in a bizarre concrete extension to the Hunterian Art Gallery. The Hill House (1904), built and designed throughout for Walter Blackie, was sold for a song in 1972 on condition that all should remain as it was. Saved pro tem by the Royal Insti-tute of Architects in Scotland, it was taken on by the National Trust of Scotland only in 1982.

His Willow Tea Rooms (1903) for Miss Cranston survive much altered, but the more extensive Tea Rooms in Ingram Street, that she opened piecemeal between 1901 and 1911, came down in 1971 and their interiors disappeared into the city's care, where they have long mouldered. The reinstallation of the Ladies' Luncheon Room (1901), set up at the heart of this show, would have been impossible without the detailed survey and working drawings undertaken by Lucy Parr and Graham Shearer, two young Glasgow architects. We only hope the city has the nous to ask them to

rescue the lot. The miracle is that the Glasgow School of Art, Mackintosh's masterpiece, should have survived not as a museum-piece, but still serving the purpose for which it was built. A bit scuffed, militantly unprecious in warding off the dead-hand of preservation, smelling of paint, dust and students, it is a splendid corrective to the careful, do-not-touch distance of the exhibition at the bottom of the hill. For these are Mackintosh balustrades the students lean on, and these his doors they swing and push through. These are his doorknobs, his latches, his chairs and shelves, cupboards and tables. It is



The Hill House, near Glasgow, built and designed throughout by Charles Rennie Mackintosh and his wife Margaret for Walter Blackie in 1904, was sold for a song in 1972. Only in 1982 was it taken on by the National Trust of Scotland.

Rebuilding a reputation

William Packer on the neglected work of Charles Rennie Mackintosh

not by chance the students them- moderated by Mackintosh's own selves have always called their

school "The Mack". Mackintosh won the competition for the design of the School of Art in 1896, when just 28 and still assis-tant architect in the firm of Honeyman & Keppie. This latest show celebrates this centenary, curated by Pamela Robertson of the Hunterian and J. Stewart Johnson of the Met-

ropolitan. Its particular virtue is to set the full scope of Mackintosh's work firmly within the broader context of his time. For too long, he has been seen in isolation, a prophet of mod-ernism honoured abroad, ignored at home. Here the myth of that isolation is exploded. The example of William Morris and the Arts & Crafts Movement is clear, naturally

evident and lasting engagement with the Scottish vernacular. Also made clear is the importance of his working relation with his wife, whose decorative gift was a major influence upon his own.

As to the myth of his celebrity abroad, it is true that he was invited to show with the Vienna Secession in 1900, and at the Turin International two years later. Articles on him appeared in inter-national magazines, and he made lasting friends of German and Austrian designers. But for all that, no commissions came of it, and his practice remained centred upon Glasgow until 1914.

What is true is that he died at 60 in comparative poverty, a frustrated and forgotten man. His practice had

slowly petered out with a few interiors here and there, though Miss Cranston remained loyal. With the completion of the Glasgow School of Art extension in 1909, no further major commission came his way the remodelling of a terrace house in Northampton (1916); a studio in Chelsea (1920).

He and Margaret left Glasgow in 1915, first for Walberswick in Suffolk, where he was suspected of being a German spy, and then for Chelsea where they more or less settled, though with extensive periods in France through the 1920s. He turned increasingly to painting, still lifes, landscape and exquisite botanical studies, for the most part in water-colour.

His tragedy was that fashions change, even in Glasgow, and Bankers' Classical replaced his asymmetrical and decorative Baronial. And he could see no way forward for himself. By the time of his death in 1928, Bauhaus and Art Deco modernism were already tacitly acknowledging their debt to him, and by the logic of his work, as we see it now, he should have been with them, the essential link between Arts & Crafts and the Modern Movement. He dropped out, but the link remains.

Charles Rennie Mackintosh: McLellan Galleries, 270 Sanchiehall Street, Glasgow, until September 30, then on to the Metropolitan Museum, New York, the Art Institute of Chicago, and the Los Angeles County Museum of Art. Sponsored by Glayva Liqueur.

orchestra, Nicholas Maw's Hymnus, threnody for - and no doubt partly which was commissioned by the by - the jazz guitarist John Sco Oxford Bach Choir for its centefield. nary. The latter, performed in Like Turnage's Three Screaming Papes of 1989, Bloud on the Flour is Oxford's Sheldonian Theatre, set two early Latin-Christian hymns to warmly respectful, expansive music. Turnage's premiere on the South Bank made more noise, as it

Concerts/David Murray

Plugged in to

premieres

here were two substantial

premieres last week - one for large orchestra with

jazz soloists, Mark-An-

thony Turnage's Blood on the Floor.

the other for large chorus with

their high-frequency hearing than

Listening without a prophylactic,

I found the decibel-level a safe notch below the point where I get frightened, but it was fairly searing.

t was also odd: modern(-ish) jazz,

which Turnage loves and reveres, rarely goes in for amplification on

that aggressive scale. It is really a

disco-phenomenon: with your mind

swamped by the sound, you dance

in instinctive freedom whilst

I suspect that the savage amplifi-

cation, controlled of course from a

central keyboard, was needed not

only to adjust the balance of grossly

lend factitious vehemence to some

of the music. For the nine move-

suite, though less than a fully "sym-

phonic" construction - need some

towering climaxes; and yet Tur-

nage's preferred vein recently has

been gently introspective, faintly

sour and melancholy.

wrecking your eardrums.

was designed to do.

are modern jazzers.

expressly "after" a Francis Bacon image, an icon of modern-urban desperation and despair. Yet the hectic tuttis counted for less than the musing solos and duets, variously for Much more noise, for everything saxophone, alto flute, bass clarinet. was amplified: not just the brave double quartet of strings - plus two double-basses, one plain old "acoustrombone. My earplugged guest, an American composer, remarked that with the volume turned down the tic" and one electric - but even the heavy brass and percussion. We had actual workings-out of the music sounded tame. Peter Rundel conbeen decently forewarned, so some ducted the Ensemble Modern in an of the audience came equipped with earplugs. Classical music-lovers, it efficient, confident performance. seems, are more wary of losing

Addict" (a collaboration with the jazz keyboard-player Django Bates.

around the time when the composer

realised that his brother Andrew

was a serious druggie) through

"Elegy for Andy", an eloquent

aw's *Humnus*, natu rally a more decorous affair, had the Oxford Bach Choir and the City of Birmingham Symphony conducted by Christopher Robinson. It begins with pre-dawn musings at very bottom of the register, in E-flat minor, and concludes ethereally in D major. In between, the chorus has plenty to do tand did it very well), with the sung words often backed by wordless crooning.

The usual devices of choral music close canonic imitation, and so forth - are expertly deployed. There are flashes of bright colour from the orchestra, though Maw seems to have taken care not to write any unequal instrumental forces, but to thing especially taxing for it. The choral climaxes filled the Sheldonian gorgeously.

ments of Blood - much more than a Hymnus is a well-made piece, and palatable for any audience; it is one of Maw's most "conservative" works, even somewhat bland. The second hymn often finds itself in the same territory as Holst's "Venus" movement from *The Plan-*Those movements have been growing since 1963, from "Junior ets, and indeed "Neptune" too. Familiar pleasures . . .

Opera/Richard Fairman

A Mozart treat

t is ironic that there are leading arts institutions applying for lottery money to build new theatres large and small, when the BOC Covent Garden Festival each year manages to find a host of dark theatres, little-used churches and hidden halls. All it takes is a

bit of imagination. The largest indoor venue is the attracts some people who just want to get a look inside. This year eflecting the artistic balance of the festival - it will hold both musical theatre and opera. The challenge is always to find an event to suit its heavily ornamented interior: from Wednesday it is due to become King Arthur's castle in Camelot, while at the weekend it was the sultan's palace in Mozart's Zaide.

That neatly creates another link, as Mozart was a freemason himself. Zaide is an early Singspiel (or music theatre work with spoken dialogue in German) which looks at the themes of punishment and forgiveness, slavery and freedom, which seem to have captured the popular imagination at the end of the 18th century. Mozart left it unfinished, but there is a vogue today for seeing what one can make of these half-written, neglected

pages from a master's pen. The festival's production, directed by Luc De Wit, played the drama in modern dress, but left the place unspecified (Turkish bath robes

excepted). Getting opera singers to deal with spoken lines is difficult at the best of times let alone in the round, but Zaide is a naive piece of theatre and the cast's artlessness at least did not jar with the simple-minded words they were

speaking. The reason one sits through the opera today is, of course, its music. "Ruhe sanft". Zaide's first aria, is one of Mozart's most beautiful creations for soprano and Anne Cambier sang it with due delicacy. Iain Paton was the sure tenor Gomatz and Russell Smythe brought some dignity to the role of Allazim, the jailer with a conscience. Ashley Thorburn sang Osmin and John Bowen was the dictatorial sultan Soliman.

If it all sounds like Die Entführung aus dem Scrail, that is because Mozart used Zaide as a dry run for that minor masterpiece - clever of the festival to tie in its production with the Royal Opera's performances of the later work.

It was preceded by The Impresa-rio, Mozart's slight comic scene between two warring prima donnas. In the festival's version Elizabeth Vidal's French poodle of a soprano was pitted against Judith Howarth's Australian dingo and the fur flew. aided by spruce playing from the Academy of Ancient Music under Paul Goodwin. It raised a good laugh, which is more than I imagined the piece could ever do.

Curtain up on | listed theatres

Theatres and works of art feature strongly in the latest recommenda-tions by English Heritage for listing, published yesterday. Once selected, it is more difficult to alter or demolish listed buildings and

The Chichester Festival Theatre is recommended for Grade Two* listing, along with the National Recreation Centre at Crystal Palace and the Snowdon Aviary and the Elephant and Rhino House at London Zoo. Other buildings for which English Heritage is seeking Grade Two listing are the Belgrade Thea-tre, Coventry, the Old Vic Annexe, London, the Congress Theatre, East-bourne, the Rosehill Theatre, Copeland. The Curzon Cinema in May-

fair has also been selected. After a two-month consultation period. Virginia Bottomley, the heritage minister, makes the final deci-

Willmott of The Steam Industry has turned out a much better than passable production of Joe Orton's 60-minute television play. The bad news is that he has embedded it in a two-hour Dennis Potter-style

The casting is a dream, albeit one bour", he is admonished as he advances upon his wife; "The man

which does not always pass smoothly. Bette Bourne, a magnifi-cent actor who normally is to drag queens what Handel's Messiah is to sing-along hymns, is superb as Pringle, the fraudulent, sanctimonious leader of a religious cult who attains celebrity as an uxoricide and is then blackmailed with the threat of exposure as being innocent (this is Orton, after all). Bourne is a master of the dynamics of performance, whether covering effortlessly when he "dries", waiting out laughs to deliver the next line or drop-kicking Orton's perverse epigrams perfectly between the posts: "Love thy neigh-

Theatre/Ian Shuttleworth Orton sing-a-long who said that was crucified by his,"

he replies almost off-handedly. Pringle's wife Tessa is played by Aimi Macdonald. Little else need be said: more than 30 years on from At Last The 1948 Show she is still the squeaky, dizzy, innocent blonde par excellence, a fine foil to both Bourne and Sylvester McCoy as McCorquodale, the invalid defrocked priest whom she tends and with whom she lives after her faked murder. McCoy, fresh from morphing into Paul McGann in Doctor Who, dodders for all he is worth and, truth to tell rather more than necessary. but it is hard to begrudge a little excessive teacup-clinking.

The weak link is Adam Ant as

Caulfield, the young thug engaged by Pringle to do his dirty work. In recent years the erstwhile dandy highwayman has been keen to establish credibility as an actor;

having played in Orton before now (in Entertaining Mr Sloane at Manchester's Royal Exchange), he should know better than to tramp through the production in a low key, and his wooden naturalism encapsulates the common view of pop-star acting. When a stage entrance came late on the press night, the other three principals won the audience by fumbling around tittering whilst poor Adam

did his best to merge with the furni-

ture. He stands, but he does not

deliver. Conceivably Ant simply needs more direction; Phil Willmott is clever and inventive, but stronger on cheeky ideas than on precise execution. This becomes glaringly obvious with the superstructure he has bolted onto the play. Five male supernumeraries play policemen who are supposedly re-enacting the

simply there to enable the staging of a clutch of interpolated musical numbers, usually in skirts. As with Willmott's South Pacific

at the Drill Hall last winter, exuberant camp is expected to make up the deficit in tightly-drilled choreography, and once again it fails. More damagingly, the songs either make explicit subtexts that do not need explicating or are nakedly gratuitous. Bourne stalks the audience with hilarious menace during "Walking After Midnight", and Adam Ant proves with "Calendar Girl" that he is lost without a microphone, but the numbers are wholly unnecessary except to pad out the running time, and consis-tently hobble the dramatic action. True, the dramatic production alone is worth the ticket price, and we get more than just that. In this case, however, more is much, much

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The Fox Theatre Tel: 1-404-881-2000/892 5685 Madama Butterfly: by Puccini. Conducted by William Fred Scott and performed by the Atlanta Opera. Soloists include soprano Nicole 神能boslan, tenor John Fowler. Daritone Ned Bart and nezzo-soprano Kitt Reuter-Foss; 8pm; Jun 6, 8

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BERLIN EXHIBITION

Bröhan-Museum Tel: 49-30-3214029 Wasserweiten. Das Motiv des Wassers in der Kunst des Jugendstils: exhibition devoted to water as a source of inspiration for the artists of the Art Nouveau movement. At the turn of the century, artists made extensive use of waves, sea, fish, nymphs and sea animals as elements of decoration. The display includes paintings. porcelain, and works in metal and plass; to Sep 15

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EXHIBITION Contemporary Arts Museum Tel: 1-713-526-0773 Richard Long: Circles Cycles Mud Stones: British artist Richard Long is renowned for his meditative walks which inspire his creation of artworks that evoke the surrounding landscape. For this presentation Long has created four works composed of regional materials,

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■ LEIPZIG

Texas; to Jun 30

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■ LONDON

CONCERT Barbican Hall Tel: 44-171-6388891 Philharmonia Orchestra: with conductor Evgeny Svetlanov and pianist Evgeny Kissin perform works by Rachmaninov and Stravinsky; 7.30pm; Jun 5 Wigmore Hall Tel: 44-171-9352141

 Die schöne Müllerin: by Schubert. Performed by tenor Christoph Pregardien and pianist Michael Gees; 7.30pm; Jun 5 EXHIBITION National Portrait Gallery

Tel: 44-171-3060055 David Livingstone and the Victorian Encounter with Africa: this exhibition offers an account of the life and times of David Livingstone. from his birth and childhood in the cotton mills of Lanarkshire to his journeys as missionary and explorer across the continent of Africa. The display also examines the political and ideological background to African exploration, the activities of

missionaries and hunters in southern

Africa in the early 19th century and the travels of fellow explorers; to Jul

London Coliseum Tel: 44-171-8360111 Fidelio: by Beethoven. Conducted by Richard Hickox and performed by the English National Onera. Soloists include Anthony Rolfe Johnson, Kathryn Harries, Keith Latham and Philip Sheffield; 7.30pm; Jun 6

MILAN OPĖRA

Teatro alla Scala di Milano Tel: 39-2-72003744 Das Rheingold: by Wagner. Conducted by Riccardo Muti and performed by the Opera Teatro alia Scala, Soloists include Kim Begley. Violeta Urmana and Gudjon Oskarsson; 8pm; Jun 6, 8

■ MUNICH CONCERT

Philharmonie im Gasteig Tel: 49-89-48098625 Symphonieorchester des Bayerischen Rundfunks: with conductor Myung Whun Chung perform works by Dvorák and Prokofiev; 8pm; Jun 5, 6

■ NEW YORK MUSICAL

Shubert Theatre Tel: 1-212-239-6200

Big: by John Weidman, Richard Maltby Jr and David Shire. Directed by Mike Ockrent and choreographed by Susan Stroman. Leading the 30-member cast is Daniel Jenkins as

Josh. Also featured in the cast are Crista Moore, Jon Cypher, Barbara Walsh, Gene Weygandt, Brett Tabisel and Patrick Levis; Tue - Sat 8pm, Sun 3pm, Wed, Sat also 2pm; to Nov 30 (not Mon)

PARIS DANCE

L'Opéra de Paris Bastilk Tel: 33-1 44 73 13 99 Symphony No.9: a choreography by Maurice Béjart to music by Beethoven, performed by the Ballet de l'Opéra National de Paris and the Orchestre et Choeurs de l'Opéra National de Paris, conducted by Sebastian Lang-Lessing. Vocal include soprano Sharon Codte, alto Hélène Perraguin, tenor Stefan Margita and bass Ronnie Johansen; 7.30cm: Jun 6. 8

■ ROME **OPERA**

Teatro dell' Opera di Roma Tel; 39-6-481601 Simon Boccanegra: by Verdi. Conducted by Bruno Bartoletti and performed by the Opera di Roma. Soloists include Renato Bruson, Daniela Dessi and Ruggero Raimondi; 7.30pm; Jun 7, 8 (6pm)

■ THE HAGUE

DANCE

Theater aan het Spul Tel: 31-70-3465280 Springdance: a choreography by Krisztina de Châtel to music by J.S. Bach, performed by the Krisztina de Châtel dance group. Soloists include Anne Affourtit, Andrez Beugger, Ann van der Broek, Heike Kreutzer and

Natascha Siegertsz; 8.30pm; Jun 7,

■ VIENNA **OPERA**

Wiener Volksoper Tel: 43-1-514442960 Un Giorno di Regno: by Verdi.
 Conducted by Asher Fisch and performed by the Wiener Volksoper Soloists include Silvana Dussmann. Kathalin Halmai, Renato Girolami and Alfred Sramek; 7.30pm; Jun 5

■ WASHINGTON EXHIBITION

National Gallery of Art Tel: 1-202-7374215 In the Light of Italy: Corot and Early Open-Air Painting: the achievements of the international group of painters who assembled in Rome and southern Italy at the end of the eighteenth century and the early years of the nineteenth century are represented by approximately 120 paintings; to Sep 2

■ ZURICH OPERA

Opernhaus Zürich Tel: 41-1-268 6666 Ivan Susanin: by Glinka. Conducted by Vladimir Fedoseyev and performed by the Oper Zürich. Soloists include lano Tamar, Comelia Kallisch, Matti Salminen and Peter Straka; 7.30pm; Jun 5, 8

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Before 1974, when the econ-

omy grew at around 9 per cent

a year, this thriftiness was a source of strength, as it is

today in fast-growing east

Asian economies. But the

country is now caught in what

Keynesians term the paradox

determined by the scale of

investment". If investment

was inadequate, he argued,

economic activity would

Martin Wolf

Japan's savings surfeit

The exceptionally high Japanese propensity to save explains many of the country's economic woes and threatens to pitch it back into another period of stagnation

With the return of economic growth, the Japanese economy seems to be floating freely kept the economy growing.

The strength of the Japanese external account finally once again. But appearances are deceptive. So long as the brought the era of exporteconomy generates more savings than investment opportunities, it is in danger driven growth to an end. The currency appreciated from Y250 to the dollar in mid-1985 of being beached once more. April 1995. This could have been prevented only by the Japanese savings are gar-gantuan. In 1995, for example, gross national savings were willingness of Japanese inves-\$1,570bn. This was larger than tors to invest enough abroad the gross national products of all but two of the world's to offset the trade surplus. But their foreign exchange losses es, the US and Gerrendered them unwilling to do many. Japanese savings were so. The consequent real appreciation of the yen, on a trade-weighted basis, was 38 per a third larger than those of the US, at only \$1,200bn, and almost three times as large as cent between 1985 and 1995, those of Germany, at \$550bn. according to J.P. Morgan. As a

> between January 1985 and The sluggishness of exports and the collapse in the profitability of investment in export production was the central element in a still bigger picture. The return on invest-

direct consequence of Japan's

loss of competitiveness, the

volume of Japanese exports rose by a miserable 21 per cent

of thrift. In the highly developed Japan of today it may be impossible for the private sector to find adequate opportunities for investment. ment had fallen sharply since the 1960s, as could be seen in elucidating this possibility, John Maynard Keynes The heavy burden of Japanese thrift remarked in his General Theory of Employment, Interest and Money that "the extent of

shrink, thereby reducing the quantity of excess savings. The surfeit of savings does much to explain the problems of the Japanese economy since the mid-1980s. Between 1974 and the mid-1980s, external events - the two oil shocks and the strong dollar created by the policies of President Ronaid Reagan - allowed the Japanese to avoid the difficulties attendant upon deteriorating opportunities. Between January 1980 and January 1985, for example, export volume rose by more than a half. The combination of export growth with the shift in the current account from a deficit of minus 0.8 per cent of gross domestic product in 1980 to a

from the collapse in the rate of economic growth, from 9 per cent to around 4 per cent. Yet the gross national savings rate remained some 30 per cent of GNP. How was all this money to be profitably invested?
As Andrew Smithers of

Smithers & Co, a Londonbased investment advisor, remarked in a study of the Japanese economy published in 1998 (Japan's Other Bubble: the Causes and Consequences of the Secular Trend of Corporate Investment): "The threat posed by the decline in the return on capital was postponed during the 1980s by the twin impact of falling interest costs and the falling cost of capital." For a while, the "bubble economy", with its soaring nominal asset prices and resulting low perceived cost of capital, was the solution.

Business investment jump from under 14 per cent of GNP at the beginning of 1983 to no less than 22 per cent of GNP in 1991. Overall, gross fixed capital formation rose from 26 per cent of GDP in 1983 to 82 per cent in 1991, growing at an

ment in the US amounts to 12 per cent of GDP plu

from the fiscal side. The fiscal loosening has been dramatic. According to last year's Economic Outlook from the Organisation for Economic Co-operation and Development, the general government fiscal balance moved from a surplus of 3 per cent of GDP in 1991 to a deficit of 3.9 per cent in 1995. The cyclically adjusted, or structural, balance deteriorated by 3.7 per cent of GDP. Without this fiscal compensation for excess

savings elsewhere, the stagna-

tion would have become a

narily cheap. But the ever-

ment equals sluggish manu-

modest recovery since 1993.

manufactured output is still

effectiveness. What then has made it possible for the econ-

omy to grow again after four years of stagnation? The

answer is the exploding fiscal

deficit. One observer, Richard Koo of the Nomara Research

Institute in Tokyo, argues that

all the stimulus has come

Fortunately, Japan's ratio of net public debt to GDP, at only 11.1 per cent in 1995, is low by international standards. The Ministry of Finance could get away with running substantial deficits for many years to come. But it loathes the very idea, not least because of the looming burden of an ageing society. In justifying its unwillingness, it will point to the ratio of gross debt to GDP, which is already 83 per cent. This will matter in the long run as the social

security funds run down then high rate of investment seemed to make sense only holdings of public debt.

If the public sector can be while the prospect of capital gains made capital extraordithe borrower of last resor only temporarily, what there enduring solutions to the valuation of asset prices could not last. The bursting of the problem of excess savings might there be? One might be bubble in 1990 led to a decline sustained exports of capital in the real level of gross fixed capital formation. Stagnant After all, for much of the late 19th century the UK exported exports plus declining investcapital equal to 5 per cent of GDP. Why should a rich counfacturing. Notwithstanding its try like Japan not do the same today? There is no good eco nomic reason why not. But well below the level reached the fastest growing economies are already self-sufficient in savings, while the biggest borfive years ago. The Japanese economy has rower, the US, regards Japadone more than succumb to the paradox of thrift. It is also in a "liquidity tran", in which monetary policy is of limited nese exports of capital as an act of economic warfare. More fundamentally, sustained large-scale capital exports may

be incompatible with freely floating exchange rates. If Japan cannot export its excess savings, the absenative is to absorb them at home. In considering the options, the authorities need to remember that even the current rate of investment, not far short of 30 per cent of GDP, looks unsustainable if Japan is not going to grow much faster than other industrial countries, it cannot profitably invest so high a proportion of GDP, when its peers are investing 20

What Japan needs to do is to create opportunities for mire investment and good reasons for less saving. Radical deregulation is the obvious answer. This would create new investment opportunities. in private housing for example. It would also encourage more borrowing by private the overall rate of household savings from more than 16 per

cent of disposable income. The only sure way to stabifor the Japanese people to become less Japanese. They have to force themselves to enjoy the opportunities their hard work and thrift have created. The very magnitude of their success leaves them with no alternative to such radical Patrick Harverson reports on the marketing bonanza surrounding the Euro 96 soccer finals

A whole new ball game scores a winner



appear to have been stuck in the dark ages since the HIPD since the national team England was the World Cup, but in the intervening 30 years the marketing of the game in England has changed beyond all recog-In 1966, the tournament's

22m-plus revenues came solely from ticket sales, although the Football Association, which hosted the tournament, did earn a £6,318 surplus from selling match-day programmes.

Today, £2m would not cover

the cost to a corporate sponsor of buying the lego of Euro 96, this month's European football championship finals. So much money will be produced by the tournament, the biggest sport-ing event held in England since the World Cup, that in commercial terms 1966 will seem like a kick-about in the locáł park.

Euro 96 is expected to generate total revenues of more than £150m (\$232.5m), of which only about a third will come from ticket sales. The remainder will come from the sale of television, sponsorship and other rights. Another £100m-plus will be spent on advertising and marketing schemes linked to the tournament.

The fact that football championships like Euro 96 generate such huge sums today reflects the sport's massive following. the power of television, and the sophistication of modern marketing techniques.

Euro 96's sponsors will have their names plastered everywhere, from billboards to buses, taxis to tube stations. Television commercials will proliferate, special sponsored events tied to the tournament will be held throughout the three weeks. Even the Internet has its own Euro 96 pages and advertising.

The core marketing of Euro 96 is being handled by a single specialist - the owner list. Marketing. It has arranged

English foot-ball may of Uefa, the sport's European appear to have governing body ourselves the signing up the 11 official sponsors - Canon, Carisberg, Coca-Cola, Fuji, JVC, Mastercard, McDonald's, Philips, Snickers, Vauxhall and Umbro - at the reported price of £3.5m each.

Uefa has also learned marketing lessons from the US, and for the first time has assigned the merchandising rights to a single company -Licensed Properties International - which will make the official Tshirts, baseball caps and 100 other Euro 96 products.

The eagerness of multinationals to be involved with the tournament is understandable: 1.3m spectators will attend the 31 games, which are expected to draw a cumulative television audience of 7bn people across 150 countries.

As Mr John Slade, marketing controller of Carlsherg, says: "It's a cliché but it's the biggest sporting event in Britain since 1966. Everyone will be talking about it and everyone will play some part in it. So it's the ideal way to demonstrate the relevance of our brand to, primarily, young men.'

Ms Marianne Fulgenzi, direc-

tor of special events marketing at Mastercard, makes a similar point. The credit card company is keen to build its brand in Europe, where it is less well-known than other more established cards. She says: The younger market is not a had place to start. Around that age is when people start to build brand loyalty.

The main beneficiary of the marketing bonanza will be Uefa, which will receive most of the direct income from the games. It will get about 240m from the official sponsors plus at least another £10m from second- and third-tier sponsors such as Microsoft and Midland Rank. The activities of these sponsors will include, for example, providing the technology for organising the event and other back-up services The FA, meanwhile, will also

earn millions from Euro 96

realists around the world Tables may be parelled 144 171-871-5938 (please set fax.)
The station may be available for jetters in the main, international languages, or

although it will initially seek to cover the £18m cost of organising the championship Mr Jonathan Hill, the FA's sales and marketing manager, says if 90 per cent of all the tickets are sold - as looks likely - the FA will meke a small profit.

The involvement of the main corporate sponsors does not stop at paying ISL 23.5m to buy the rights to attach their names to the Euro 96 logo. Each is spending tens of mil-lions of pounds more on marketing and advertising tied to the tournament - everything from the traditional (pitch-side billboards) to the unorthodox (such as Mastercard's backing for two rock concerts during the tournament).

will be among the more expensive marketing items. The climax of these campaigns will be during the tournament itself, with the price of a 30-second commercial in the England games starting at £50,000. Mr Slade says the bulk of the \$20m that Carlsberg is spend-ing on its brand support programme this year will go on the championship, while Coca-Cola is reportedly spending

Sponsors' TV commercials

£14m on Euro 96. The ultimate aim of sponsors is to swamp the country - and the wider TV audience - with images of their brands. As Ms Fulgenzi boasts of Mastercard's activities in London: "We basically want to own this city by the end of Euro 96 from a brand image perspective."

Yet with 11 main sponsors and scores of subsidiary backers, Euro 96 could suffer from marketing overkill. An executive at one of the main sponsors accepts it is a possibility: "Clutter could be a problem. There is a danger that everyone shouting at the same time will lead to confusion."

However, sponsors seem happy to take the risk. With the World Cup due to be held in France in two years' time, Euro 96 presents the perfect mpaign to spread marketing messages across Europe.

For more than a century and a half, Patek Philippe has been known as the finest watch in the world. The reason is very simple. It is made differently. It is made using skills and techniques that others have lost or forgotten. It is made with attention to detail very few people would notice. It is made, we have to admit, with a total disregard for time. If



Men's Calatrava - Ref. 3919

a particular Patek Philippe movement requires four years of continuous work to bring to absolute perfection, we will take four years. The result will be a watch that is unlike any other. A watch that conveys quality from first glance and first touch. A watch with a distinction: generation after generation it has been worn, loved and collected by those who are very difficult to please; those who will only accept the best. For the day that you take delivery of your Patek Philippe, you will have acquired the best. Your watch will be a masterpiece, quietly reflecting your own values. A watch that was made to be treasured.



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DUBLIN: WER & SON Ltd. • EDINBURGH: HAMILTON & INCHES Ltd. • GLASGOW: WATCHES OF SWITZERLAND Ltd. •
LEEDS: BERRY'S • MANCHESTER: WATCHES OF SWITZERLAND Ltd. • STRATFORD-UPON-AVON: GEORGE PRAGNELL Ltd.

Bosnia elections likely to lead to partition

From Ms Mabel Wisse Smit. Sir, Under the present conditions elections in Bosnia-Herzegovina will lead to partition rather than

reintegration of the country. The international community defines "success" in Bosnia-Herzegovina as elections per se rather than free and fair elections. Since elections are a precondition for the scheduled withdrawal of Ifor, the international community needs them by September. Unfortunately, the Bosnian Serb leader, Radovan Karadzic, and his comrades are well aware of the tendency of western leaders to give effect to political expediency and their desire for elections at any

But what will happen if extreme nationalists continue to control the media, obstruct freedom of movemen back nationalistic parties, and intimidate everybody who

does not support their ideology?

Then the elections will legitimise the self-proclaimed leadership in the Republika Srpska, most of them proxies of Karadzic and Serbia's president Slobodan Milosevic. Moreover, elections in the Republika Srpska could turn out to be a *de facto* referendum on partition. If internationally monitored elections result in a

victory for separatist parties their leaders will proclaim that the will of the electorate

should be respected. Furthermore, the participation of "elected" Pale Serbs in the central government could bring it to a gridlock. Their refusal to attend the Brussels donor conference as part of an integrated Bosnian delegation discloses their willingness to frustrate the political process even at their own economic expense, in addition, nationalists in "Herzeg Bosna" might be encouraged to pursue a similar path, thereby undermining the Federation and Bosnia-Herzegovina as a

Moreover, tensions and even conflicts are likely to occur when the population realises that peace entails partition. Long-term success requires the willingness to postpone elections when and where the conditions have not been met. The extremist forces should not be allowed to hold democracy hostage in the entire country.

Mabel Wisse Smit, executive director. European Action Council for Peace in the Balkans, PO Box 10018, 1001 EA Amsterdam, The Netherlands

Russians will be more than usually anxious about age

From Mr Denis McDonough and Mr Frank Richter. Sir, I wonder how a 58-year-old Russian man would feel this morning given the uncertainty felt by my roommate and me - two Generation Xers - upon reading articles on president Boris Yeltsin in the FT ("Comeback kid rising in polls", June 1/2) and in the Washington Post ("Invigorated Yeltsin hits hostings"). At 65 years old, has Mr eltsin, as the PT claims, "already lived six years longer than the average Russian man"? Or has he, as the Post states, "already exceeded the

years"? Or is Mr Yeltsin even For a couple of readers in

Washington DC, the age and life expectancy of a seasoned presidential candidate is more than a minor issue. Besides. imagine how puzzled, and perhaps even auxious, that 58-year-old Russian man feels upon reading these two

articles. Please don't leave that poor Russian man - and millions of voters in Russia and the US -

Frank Richter, Denis McDonough, 2439 Tunlaw Rd NW, Washington, DC 20007,

Casting out EU net provider

From Mr Ian Harrison. Sir, I have immense sympathy with Mr Hans Schloten (Letters, May 30) who questions whether the time has not come for the rest of the EU to ask the UK to leave so that the Community can develop as the vast majority of its members wish. However I fear that he has overlooked one

average life expectancy of

a Russian male by eight

thing.
With the UK as a net provider of funds to the EU and the majority of members as net recipients who is going

to propose the motion?

Much healthier would be for the UK to hold its own wishes to continue its membership. The goodwill engendered by a vote to stay in would probably be sufficient to clear up the beef impasse overnight.

32 Peascod Street Windsor. Berkshire SL4 1EA.

Flexible cost

From Mr Jonathan Targett. Sir, Do the responses to Lucy Kellaway's thoughts on management consultants ("The physics of consultancy", May 20) miss the point? Consultants, no doubt, have a useful function as an intelligent and flexible pool of problem-solvers that the CEO can't always afford to keep on staff permanently. But, as Lucy Kellaway points

out, flexibility comes at a price, a price that many would be family builders aren't willing to pay. It is an increasingly important debate, and she is right to raise it.

Jonathan Targett, rue Ernest Solvay 15A., 1050 Brussels, Belgium

Climate change stance not negative

From Mr Michael Jefferson.
Sir. We were surprised to see
the World Energy Council
reported in "Debate warms up" (Business and the Environment, May 29) as taking a "negative stance on basic science" of possible climate change, as having "many energy industry executives" in disagreemen with us because of this; and that the forthcoming Intergovernmental Panel on Climate Change second assessment reports "conclusions" are "an attempt to win research grants for scientists". None of this is

The World Energy Council has lone advocated that

precautionary measures, based upon the minimum regret principle, be taken - starting now - to tackle possible climate change. We have never taken a

"negative stance" on the basic science, which has been clearly established at least since 1896. We know of no informed energy industry executives who disagree. For the most part we regard the forthcoming panel scientific assessment as excellent. We have two concerns. First, a particular sentence suggesting "a discernible human influence on global climate", because it is not yet justified by the underlying scientific papers. Second, the panel has

revised downwards its projections of warming because of the cooling effect of sulphate aerosols. We are concerned because sulphur abatement measures are becoming cheaper and are likely to be installed faster. and hence cooling may be less,

Thus we advocate early precautionary measures but insist on objective analysis of the known facts. As contributors to the panel report ourselves we would expect no less.

Michael Jefferson. deputy secretary-general, World Energy Council, 34 St James's Street, London SW1A 1HD, UK

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outside London. As for making a lasting "state-ment" to greet the millennium, it was never self-evident that yet another exhibition complex answered the call. If the Greenonly to be temporary, then it fails

even on that score. in short, the Millennium Commission should start from scratch and invite new suggestions for an appropriate project. There is still

plenty of time. The tribulations of the Millennium Exhibition highlight the

wider issue of finding matching funding, which is dominating the agendas of those quangos respon-sible for dispensing the lottery bil-at the gate.

Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700 Tuesday June 4 1996

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL

The French tax burden

Jacques Chirac used to sum up the failings of the French tax system while campaigning for the Presidency last year. Yet since he took office, plans for sweeping tax reforms have been sidelined by efforts to rein in public borrowing in time for Maastricht

These days the pain of making another FFr 60bn cuts in public spending next year has put tax reform firmly back on the agenda. President Chirac promises that meeting the Maastricht criteria will involve no further large tax increases. But many in parliament are pressing for more - they want tax cuts, to soften the blow of continued budget cuts and generally

kickstart the economy.
With France's bid for Emu still hanging in the balance, the government simply cannot afford to reduce tax revenues next year, although Prime Minister Alain Juppé yesterday reiterated the government's pledge to start cut-ting taxes after that. A strong revenue performance will be crucial to achieving a budget deficit of even close to 3 per cent of GDP in

Luckily for Mr Chirac, the French tax system is so inefficient that reforming it offers an opportunity to "cut taxes" without cutting revenues. Thanks to a complex web of deductions and tax loopholes, only around half the adult population pays any income tax and those that do pay very little. As a result, top marginal

"Too much tax kills tax". Thus rates are among the highest in the industrial world, at nearly 56 per cent, yet the ratio of income tax revenues to GDP is among the

> The system's other major failing - a direct consequence of the first - is the burden it imposes on employment income. Relative to rity payroll taxes are the highest in the OECD. Throw in a 20.6 per cent rate of Vat, and you have a system designed to ensure that the only people who pay for the country's elaborate system of poverty alleviation are the poor, or nearly poor, themselves (not least those who are kept out of work by the high level of non-wage labour

Mr Juppé's preview yesterday of the five-year tax reform plan he will be presenting to parliament in the autumn showed that he understood what effective reform would involve. First, lower income tax rates and far fewer exemptions. And second, broadening the base of many social security contributions by shifting them away from payrolls. The worry is that the government will be too timid in translating these principles into concrete reforms. France has repeatedly shied away from the kind of comprehensive tax reforms which many countries carried out during the 1980s, and has paid the price for this in high unemployment and lost competitiveness. Five years is too long to

Regulating BT

Oftel, the UK telecommunications regulator, has proposed a radical shift in its approach to the industry. This offers long-term gains for consumers, but exposes inadequacies in the rules governing regula-

The proposals are based on the robust principle that competition is preferable to price controls. They have broad implications. which the government needs to consider as soon as possible. Oftel the present system for challenging wants to remove direct price caps from a large part of British Telecommunication's business, but give itself much stronger powers and reference to the Monopolies to stamp out anti-competitive and Mergers Commission.

Under the new regime only 26 per cent of BT's revenues would be subject to price restrictions; compared with 64 per cent at present. Residential customers who do not use their telephones much would still be protected. After inflation, prices in this sector would be required to fall by 4.5 per cent a year, compared with the real annual reduction of 2.7 per

cent during the last six years. So far, BT has cut prices to business customers much more sharply than to residential users, partly to reflect its true costs. The latest pricing formula would probably move the balance back towards the home-owner.

But can competition really deliver the predicted benefits in the rest of the market? There are now about 140 companies competing to supply telecommunications services. If they are to thrive, timely change in the law could they, as much as BT, require an prevent much bitterness.

open market with the minimum of pricing regulations. But BT will remain overwhelmingly the dominant supplier, with a strong interest in beating off competitors wherever it can. So a strong umpire is needed.

Mr Don Cruickshank, Oftel's director general, is therefore proposing to take sweeping new powers to stamp out unfair competition. This is necessary, because anti-competitive practices is extremely cumbersome, possibly requiring a change to BT's licence

The new proposal confronts a difficulty, however. Oftel would be arrogating to itself powers of intervention which, however desirable, were not envisaged in the 1984 Telecommunications Act. Companies affected by these new powers would inevitably contest the decisions as arbitrary - but challenging them in the courts would be slow and expensive.

Oftel is, in short, proposing a much changed role to reflect a tackle the disease. level of competition which few people predicted when BT was privatised. The Government needs therefore, to give it a new legal framework. At a minimum this should define its powers to enforce fair trading. And since such issues will be contentions. Oftel might be better structured as a commission than as a one-man band. Alternahim against a retreat. The sceptics, with some support in the cabinet. tively there might be a streamlined mechanism for appeal. A see an opportunity to hold Mr Major

difficulties in ending the dispute between the UK and its EU partners

aking the peace will be a lot harder than declaring hostilities. As the UK again wielded its veto and Europe's agriculture ministers considered lifting the export ban on British beef by-products, both sides in the so-called beef war could agree on one point yesterday. The 15 European Union nations will not easily find an overall settlement which will restore the punctured to respond to British blackmail.

cerns of its continental partners. Since the British government announced over two months ago that there may be a link between BSE, or mad cow disease, and the fatal human condition Crentzfeldt-Jakob disease (CJD), science and politics have become dangerously entangled. Mr Major's decision to escalate the dispute by blocking all other EU business has made them inseparable. And two weeks into this latest stage in the conflict, the science remains uncertain and the

pride of Mr John Major's adminis-

tration and meet the deeply felt con-

politics unpredictable. Finding a framework for the lifting of the ban will mean fitting together dozens of pieces in a three-dimensional jigsaw. First must come a practical programme to guarantee the safety of British beef which meets the concerns of the European Commission and most of the other 14 EU states. That will be hard enough, given the scepticism in continental Europe about

the effectiveness of efforts so far to Even then Mr Major will have to calculate whether any agreement will command support inside the Conservative party. Senior colleagues such as Mr Michael Heseltine and Mr Kenneth Clarke want a deal at or before the Florence summit on June 21. But Tory Eurosceptics, emboldened by Mr Major's initial stand, are warning

Then comes a third dimension the calculation which other EU governments must make as to whether they should bow to UK pressure. Some no doubt want the issue settled quickly. But others, most notably Germany, face intense hostility among their own farmers and consumers to any relaxation of the ban. Others still may simply decide not

In a tour of European capitals this week Mr Malcolm Rifkind, the foreign secretary, and Mr Douglas Hogg, the agriculture minister, will focus first on the practical considerations. There is an appreciation in London that its programme to eradicate BSE needs explanation in other EU capitals. The government's failure to inform the European Commission until minutes before its announcement on March 20 of the possible link between BSE and the new strain of CJD was followed by a series of other communications failures.

The publication yesterday of a 120-page document detailing the measures the UK government has taken to combat the disease is designed to recoup some of the lost ground. It explains the ban on the sale of beef in Britain from animals over 30 months, pointing out that about 1m cattle will have been destroyed by the end of the year. The government is also working on a "beef assurance scheme" which would allow back into the food chain specialist beef cattle over 30 months from herds that have never had BSE and that have been reared entirely on grass. Less than 5 per cent of annual production will be affected, but most of the animals will come from prestige herds in

Scotland and Northern Ireland. A separate system of compulsory "passports" for all cattle will track each animal from farm to market and abattoir. A national computer database system will be established

to monitor the movements. Mean-

hostage in a wider struggle against while, funding for the Meat Hygiene the EU. Service has been doubled this year Service has been doubled this year to nearly £80m. Showing a willingness to consider new ideas, the government is also to make posses of animal feeds likely to cause BSE

A way out of the beef stew

Caroline Southey, Alison Maitland and Peter Norman on the

a criminal offence. Mr Hogg's most controversial proposal is the selective slaughter of up to 80,000 cattle at greatest risk of contracting BSE. In the first year this slaughter would reduce the total number of BSE cases - 8,000 this year and 5,000 next - by 30 per cent at most. While some EU members feel this is not radical enough. British farmers may ultimately regard it as pointless - and the UK government has promised to respect

their views. In Brussels meanwhile, British and European Commission officials are attempting to slot such measures into a framework for the progressive lifting of the ban. There is no dispute over the basic approach. Assuming the ban UK exports of gelatine, tallow and semen is lifted within the next few days, a "causal" relationship would then be established between lifting the ban on other products and the measures needed to ensure they are safe.

ne London priority is to lift restrictions on exports to third countries, 60 in all, which are barred from reexporting beef or beef products to the EU. Another is ending the ban on the export of British calves and beef from BSE-free herds.

But one of the many ironies of the dispute is that Mr Major, the most strident defender of the sovereignty of the EU's nation states, cannot secure a deal merely by satisfying the Commission. Instead, he must meet the concerns of other member states. "We have to satisfy a wide spectrum of concerns," says one UK official in Brussels. "At the one end is Germany deeply resistant to any moves to lift the ban. At the other end is Sweden which feels this

whole process is embarrassing." The Bonn government looks certain to resist any easing of the ban in the foreseeable future. Germany's consumers have been giving beef from all sources a wide berth since March. Opposition to imports is also very strong among the federal states or Länder, at least four of which imposed their own bans on British beef and beef products before the March crisis. Any relaxation by the federal government would have to be approved by the Lander in the Bundesrat, the sec-

ond chamber of parliament in Bonn. The position of the federal ministry of agriculture is that the UK has not yet produced a convincing sys-tem to combat BSE. Mr Helmut Kohl, the German chancellor, is expected to discuss the issue with Mr Rifkind on the margins of a Nato meeting in Berlin later today. Mr Rifkind and Mr Hogg will also meet Mr Klaus Kinkel, the German foreign minister. Mr Horst Seehofer. the health minister, and Mr Jochen for talks in Bonn on Wednesday.

It is unclear what these discussions can yield. The absence of firm suggestions from the Bonn government has prompted some diplomats to speculate that Germany will not back any easing of the restrictions until BSE has been completely eradicated. German officials are worried that contaminated animal feed is still in circulation in the UK. They are concerned also that the authorities cannot control what is going at farm, feed-producer and slaughterhouse level.

Ultimately, Germany alone may find it impossible to block a framework agreement. But Mr Major also needs to mend fences in other EU capitals. "Faith in the proposed framework will only be forthcoming if Britain inspires confidence. Few governments are confident that the UK government is in a hurry to find a solution to the BSE crisis," is the comment of one Dutch diplomat.

Such tensions have been exacer-

co-operation. The next few weeks are packed with ministerial meetincs providing Britain ample opportunity to wield its veto and appease the Tory Eurosceptics. But with every blocked decision, the EU's collective temperature rises, destroying the goodwill needed for a compromise. And Germany is not alone. Austria remains deeply sceptical about the UK's commitment to eradicate BSE and its ability to implement measures. Portugal, the Netherlands, Belgium and Luxembourg have also voted for the ban on exports of gelatine, tallow and

Ministers from other EU governments, echoing the calls of senior British politicians such as Mr Douglas Hurd, the former foreign secretary, are calling for a speedy end to the policy of non-co-operation. "It must reach a point where the resistance by continental member states is such that they get as bloody-minded as the British," Mr Borchert, the agriculture minister. Ivan Yates, the Irish agriculture minister, warned yesterday.

Thus there have been suggestions in Brussels that France, hitherto supportive of Mr Major's position, could withdraw its backing. The atmosphere of mistrust is fed by a suspicion among some officials that the prime minister does not want a deal - that he wants to fight the UK general election while at war with the rest of Europe.

With some imagination it is possi-ble, just, to see the awkward shapes of this jigsaw being slotted together during coming weeks. But for all the disruption he is causing else-where in the EU, Mr Major can take nothing for granted. He may secure a framework for the lifting of the ban - but he has little or no prospect of winning a firm timetable for its implementation.

If the dispute is to be settled, others in Europe will undoubtedly be obliged to compromise. But so too will the British prime minister. Otherwise expect a long, bloody war.

Millennium calls

How fitting, perhaps, that it should be proving so hard to find a suitable home for the UK's prostrictly a case of matching fund posed Millennium Exhibition. If plans for a £500m extravaganza in Greenwich bite the dust through lack of corporate interest, as appears increasingly likely, then the focus should shift to a more

modest celebration. Last year's Hyde Park festivities to mark the 50th anniversary of VE day show what can be done on a relatively modest budget. A national bash could be provided for a fraction of the £500m, or indeed of the £200m which the Millennium Commission is proposing to dispense from its lottery bonanza. And Birmingham could re-enter the frame, if ministers swallowed their prejudice against a national celebration taking place

wich construction is in any event

The exhibition itself is not strictly a case of matching funding, since it is sui generis as a project, and intended to be at least partly a commercial proposition. But the reluctance of the private sector to stump up to meet any large part of the cost is all too

typical of lottery projects.
A study last month of the 124 arts projects asking for over £100,000 in lottery funding which are obliged to raise a quarter of their project costs through their own efforts - found that of the £60m these applicants were seeking from the corporate sector only 24 per cent has so far been confirmed. Similar stories are heard from the other lottery sec-

tors, notably heritage. In the short term, changes to the matching funding rules may be needed to reduce the proportion of non-lottery funding required. These should be considered alongside more widely touted changes to allow the lottery to fund project running costs, and not just capital as is now gener-

ally the case. However, this debate raises anew the wider question of the desirability of the lottery's existing "good causes". Lottery income has far exceeded projections. It is time to reconsider the case for handing billions more to the arts. heritage, and grand projects for the millennium when many other deserving causes are clamouring

No Labour

of love

■ With the sound of Benjamin Netanyahn's victory rallies still ringing in Jerusalem streets, the knives have come out within the Labour party over the succession

Labour insiders say their leader, who has failed in five attempts to win outright the prime ministerial election, must now go. Labour's constitution allows a leisurely 14 months to find a

replacement, but two contenders have lost no time. On one side is Ehud Barak, the slick 54-year-old foreign minister and former army chief; on the other, Haim Ramon, 46, the interior

Both fit the bill for "New Labour", as defined by the party newspaper, which has called for an infusion of "more telegenic politicians". And they mark a generational shift - Peres may well prove the last prime minister to have played a role in Israeli's creation in 1948.

But there similarities end. Barak's gung he appeal has been boosted by the Grapes of Wrath attacks on Lebanese guerrillas, while Ramon has built his career on support for the peace process. Ramon, architect of admired trade union reforms, is thought the better wielder of the party machine, but his leadership of the

failed election campaign makes him an easy target. Sour muttering is now emanating from the Barak camp about the failure to capitalise on sympathy for Yitzhak Rabin's assassination; insiders say that Ramon vetoed most proposals to use Rabin's image in

advertisements. But Barak has hardly endeared himself to his party by leading the calls for a new national unitygovernment under Netanyahu with himself as defence minister.

The two are so far ahead of the rest of the field that, whoever wins, they seem destined to be at each other's throats for years to come. Much like Rabin and Peres.

End game

■ The writing on the wall for Edzard Reuter would seem to be becoming more and more legible. The man who left behind a loss of DM5.7bn, Cermany's biggest ever corporate shortfall, at Daimler-Benz last year looks as if he may be in retreat from a

number of the other boards he

Professor Ekkehard Wenger, the influential scourge of German annual meetings who has developed an especially healthy dislike of Reuter, has just filed a motion to have Reuter removed from the board of Viag, the Munich-based conglomerate. Why? "The man is unbearable," Wenger

writes.
There are signs Reuter may be

Manfred Bischoff, the head of Daimler-Benz Aerospace and hence a mover and shaker at Airbus Industrie, the European aircraft consortium where Reuter heads the supervisory board, no longer refers to him in person but merely speaks of "the head of the supervisory board".

Nasty mismatch

■ It seemed the dream team. playing the dream match: Ilie Nastase, the flamboyant former tennis star, running for mayor of Bucharest, his home town, on the ticket of the powerful Social Democrats (PDSR), the governing

But, as the first unofficial results began to trickle in yesterday, it looked like playboy "Nasty" had been trounced by a dour trade union leader. Officials of the PDSR, the former

communist party, could barely contain their gies a few months ago when they persuaded Nastase to join their party and to stand in Sunday's local elections, the first national polls for nearly four years. The party needs to bag a few big

cities to keep momentum behind its campaign for the autumn's general elections. In a nation of sports-lovers, it thought that it had Bucharest sown up.

OBSERVER Nastase's campaign is believed to have spent \$170,000, as much as the

other 46 candidates combined. But it seems that Bucharest residents, always less keen on the PDSR than much of the country. were unswayed by the Nastase posters on every street corner. His clowning around won few fans, nor did bursts of foul language.

The match is not yet lost. however, It was unclear last night whether 50 per cent of voters had even bothered to turn out. If not, there may be two rounds

Losing lament

■ Russia becomes more like a normal country by the day although some locals may doubt whether this is a good thing. The elections for mayor of St Petersburg are a case in point,

showing that vicious muck-raking electoral battles, common enough in Washington or Rome, have finally reached the land of

The city's defeated mayor, Anatoly Sobchak, blamed his defeat on "massive, professional defamation by my rival's election

Meanwhile, his deputy-turned-rival, Vladimir Yakoviev claimed Sobchak's supporters had been no less mean. accusing him of mafia links and media manipulation. Democracy can be a messy thing.

#Tinancial Times

100 years ago Cuba and the States

Washington:- The Foreign Relations Committee have taken no action on Mr Morgan's resolution recognising the belligerency of the Cuban insurgents. From an informal discussion, however, it appeared that some of the members were doubtful as to whether it would do the cause of the Cubans and the Americans in Cuba more harm for the resolution to be reported, and the Senate then to adjourn without taking action, than for the committee not to act on the resolution.

50 years ago The French Elections As a result of the French elections, the strongest party in the new constituent assembly is now certain to be M.R.P. Although a number of results have still to come in from the colonies, these are not expected to change the complexion of the results to any great extent. The Bourse reacted unfavourably to the election result. It is expected that M. Bidault, the outstanding leader of the Popular Republicans, will attempt to form a tripartite Government. There is little doubt that the Socialists, who are the real losers in the elections, will co-operate, but there is less

certainty about the Communists.



French PM to spread welfare costs more widely

Juppé vows progressive cuts in tax and spending

Mr Alain Juppé, the French prime minister, last night pledged to cut income tax progressively over five years - with commensurate public spending cuts - and to spread the burden

more widely.

At a televised press conference,
Mr Juppe said his government
would present in mid-September, in conjunction with its 1997 budget, a five-year programme set-ting out parallel reductions in

spending and taxes. He gave no details except that the plan would involve lowering all income tax brackets, creating a new universal health insurance charge and reforming the "professional tax", levied on companies' wage bills and investments.

In outlining his tax-cutting strategy so far in advance of producing precise proposals, Mr Juppe is aiming to quell mounting pressure for tax reductions from some of his backbenchers led by Mr Edouard Balladur, his more by holding out the prospect of lower taxes, and to give him-self time to prepare the politically sensitive reforms.

The thrust of the reforms is understood to be in line with a report by a committee headed by a former chief inspector of taxes, which Mr Juppé received yester-day and which is to be published

Mr Juppé stressed that the report did not commit the gov-ernment, which is to hold further consultations with parliament, employers and union leaders. Mr Juppé said he would be guided by two principles - that

no real tax reform was possible without reducing rates, and that no tax cuts were possible without reducing public spending at the Initial tax cuts in 1997 are therefore likely to be minimal,

because the government needs to reduce the budget deficit by at least another FFr40bn (\$7.78bn) in 1997 if France is to qualify in that year for European monetary union. This is expected to entail

to counter unavoidable rises in state debt servicing and other fixed charges.

Mr Juppe confirmed that his plan to cut income tax rates whose current top level is 56.8 per cent, would require abolishing many of France's numerous tax breaks - only half of French

families pay income tax.

Mr Juppé said he intended to create a single health insurance charge for all, which would be levied on savings as well as

The prime minister hailed recent signs of vigour in the French economy, in particular a 1.2 per cent increase in first quar-ter national output and yesterday's announcement that the number of unemployed fell in April by 15,400, the second monthly improvement in a row. But Mr Juppé's tax-cutting plans come in the wake of weak growth in tax receipts, running behind the economy's general

Editorial Comment, Page 17

with Syria and Lebanon, or give any sign he would be willing to withdraw from Arab territory. In

the past he has ruled out restor-

Supporter of Yeltsin loses city

death threats and corruption.

second biggest city may alarm supporters of President Boris Yeltsin's re-election campaign. Mr Sobchak, who rose to power alongside Mr. Yeltsin as a hero of Russia's democratic revolution of 1991, had strongly identified him-

in what was billed as a rehearsal for the national vote on June 16.
"If the presidential election follows the pattern of the St Petersburg election. I have serious worries about Russia's future," Mr

Mr Sobchak was defeated by Mr Vladimir Yakovlev, the deputy mayor, who ran a populist campaign promising to improve the city's living standards. Leading Communist party poli-ticians halfed Mr Yakovlev's vic-

ago at a difficult moment he supported democratic transformations. Now the work should be different." Mr Yakovlev said.

cent of the vote on Sunday, compared with 45.8 per cent for Mr Sobchak in a low turnout among the city's 3.8m voters. Before the first round of voting

ing their unreliability or the electorate's unpredictability.

mayor - to be renamed governor about both candidates.

nomyrdin, the prime minister.

paign had been supported by Mr Oleg Soskovets, the hardline first deputy prime minister widely tipped to succeed Mr Chernomyr-din as prime minister in a second

Mr Soskovets is believed to have developed close ties with the directors of the many defence plants in St Petersburg.

election hit by scandal

Mr Anatoly Sobchak, mayor of St Petersburg and one of the country's best known liberal politi-cians, has been voted out of office after a hitterly fought election bristling with allegations of The surprise result in Russia's

self with the incumbent presiden

Sobchak said.

tory as a sign that the anti-Com-munist tide had turned. But the politically moderate Mr Yakovlev yesterday backed Mr

Yeltsin's re-election campaign and acknowledged Mr Sobchak's

contribution to the city.
"Mayor Anatoly Sobchak has completed his mission. Five years

Preliminary results showed Mr Yakovlev had received 47.5 per

on May 19. Mr Yakovlev was run-ning at just 9 per cent in the opinion polls - either highlight-

The elections for the post of

Last week, Izvestiya newspaper argued that the elections had also become a battleground for the power cliques within the Kremlin. The liberal newspaper reported that Mr Sobchak had been strongly backed by the political and oil and gas industry clan" headed by Mr Victor Cher-

Mr Yakovlev, however, yester-day said his well-financed cam-Yeltsin administration.

Pressure grows on Netanyahu to pursue Mideast peace talks But he did not mention peace

By Edward Mortimer in London

Arab and western leaders yesterday increased pressure on Mr Benjamin Netanyahu, Israel's prime minister-elect, to continue with the Middle East peace process started by the defeated Labour government.

In Cairo, Presidents Hosni Mubarak of Egypt and Hafez al-Assad of Syria, described initial overtures from Mr Netanyahu as discouraging, but said they would give him time to show his real intentions. In Washington, Mr Mike

McCurry, the White House press secretary, said US president Bill Clinton sent letters to Arab leaders, reaffirming the US's commitment to the peace process. In London, Mr John Major gave

a warm welcome to Mr Yassir Arafat, president of the Palestinian National Authority, promising to "do what we can bilaterally to help the Palestinian state". Mr Major said his door would be open to Mr Arafat "on each and every occasion".

e to Mr Netanyahu, who has ruled out a Palestinian state and any meeting with Mr Arafat. Mr Arafat said he expected Israel to honour its commitment, given by the outgoing government of Mr Shimon Peres, to

was trying to put together a coalition of his nationalist Likud

parliamentary faction that he had spoken by telephone with Mr Mubarak and with King Hussein of Jordan, and they had agreed to meet as soon as possible once a government is formed. In his victory speech on Sunday night, he called on Israel's neighbours to "join the circle of peace".

withdraw from the West Bank town of Hebron on June 12. Mr Netanyahu, who yesterday

bloc with religious and centrist in Likud have sought to rule out a withdrawal, suggesting that to do so would allow Islamic terror-

ing the Golan Heights to Syria. Mr Assad said a resumption of Syrian-Israeli peace talks was "not on the agenda".

parties, has avoided taking a clear position on the Hebron issue. But other leading figures ists to use Hebron as a base. Mr Netanyahu told the Likud

Mr Muharak, King Hussein and Mr Arafat are to meet tomorrow in Jordan, but representatives from Syria and Lebanon have not been invited Tensions with Jordan over its alleged infiltration

by Syrian saboteurs are one of many obstacles to effective Arab co-operation in face of the new hardline Israeli government. Mr Mubarak said Egypt and Syria would not hesitate to take part in a full Arab summit - not held since the 1991 Gulf war - "if

one was feasible Mr Assad said Syria is "always ready for any Arab meeting whether between frontline nations or the entire Arab

Observer, Page 17

UK steps up veto policy over EU beef ban

Continued from Page 1

ber states, a move strongly backed by Britain. Mr Clarke, defended the policy of non-cooperation which he said had been forced on Britain by the

lack of co-operation from its part-At a parallel meeting of EU social affairs ministers. Britain

Europe today

Five-day forecast

Warm air over southern Europe will slowly spread north. As a result, afternoon temperatures in most of France will exceed 25C while the Benelux will have maximums around 20C. Southern Spain will be mostly sunny with temperatures above 30C in places. The UK and the North Sea countries will have sun interspersed with cloud. The boundary between warm air to the north and slightly cooler sir to the south will cause cloud and

thunder showers in Corsical Sardinia, the western Alps and eastern Poland. East of this boundary, very warm and mainly dry conditions will cover most of south-ea Europe, isolated thunder showers may develop in the former Yugoslavia and Albania The eastern Mediterranean will be sunny and dry. Russia will have more cloud with Isolated

Occasional thunder showers will affect Italy and the Balkan states during the next few days. Most of Europe will be warm but the Benefux, France and Germany will be unusually hot, it will continue warm and sunny

blocked a resolution declaring 1997 to be the EU's year against racism; a recommendation to help women get top jobs; a resolution on the transparency of vocational training certificates; and an agreement to produce annual EU-wide demographic reports. Britain supports in prin-

ciple all four measures.

Today in Luxembourg, Mr Michael Howard, the home secretary, is expected to block measures to fight crime and terrorism. "This is a way of getting the

other member states to appreciate that the beef question is a question of immense impor-

FT WEATHER GUIDE LOW

in south-eastern Europe but temperatures will fall slightly later in the period.

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Tarnished gem

Gemina came within inches of becoming one of Europe's largest conglomerates, via a proposed merger with Ferruzzi Finanziaria, but yester-day it showed just how ill-equipped it was for the role. Far from being Super-Gemina, as last year's attempted con-glomeration became known, the Ital-ian holding company has demon-strated it was out of its depth even-with its existing business portfolio. Last November, a new management. team predicted losses of L468bn (\$302.5m), after discovering the extent of problems at its publishing and financial services divisions. But the per cent fall in its shares yesterday. The good news for shareholders in Ferfin and its associate Montedison is that the Super-Gemina proposals must now be well and truly buried. But the prospects for Gemina's investors are less rosy. True, they have a new management, which may start to rationalise a rag bag of businesses ranging from publishing and financial services to sportswear and paper. And the lat-est losses were all inherited. But the nent has made a poor start. It cannot be blamed for past problems, but it has failed to express any strat-

group's shocking performance. Gemina has some extremely attrac-tive investments, such as the Corriere della Sera newspaper and Fila sports wear. However, it has proved its weakness as a conglomerate. Until it can demonstrate some strategic focus and show it its publishing business under control, its shares should not be con-

KHD

Germany's willingness to mount yet another rescue of Klöckner-Humboldt-Deutz is astounding. This is the third refinancing attempt in seven years and this time the engineering group may have lost a massive DM950m (\$625m) - nearly three times its shareholders' funds - on dud contracts. Yet everyone is rallying round: from Deutsche Bank and other lenders, which have already lost millions, to the local city and state governments, which seem willing to provide guarantees and improve KHD's liquidity by buying up some of its properties. Even the unions are prepared to contemplate cuts in wages and benefits.

But keeping an uncompetitive business afloat artificially will do little to preserve jobs in the longer term. At side, which is responsible for the

June 1998



base in a hopelessly competitive mar-ket, should be closed or sold. That might enable the engines division, which has a strong new product range

and good technology, to survive. After all, its rival VarityPerkins - whose US parent is merging with Lucas Industries - is going from strength to egy for going forward and gave only the sketchiest of explanations for the

So much for the Spottiswoode factor: if nothing else, yesterday's restrained review of British Telecommunications' prices should dispel fears that the gas regulator's recent blitz would start a trend. Of course, for BT to cut residential prices by 4.5 per cent a year in real terms will be no picnic. The new price cap may look more lenient than the current one - annual cuts of 7.5 per cent in real terms - but in practice the lion's share of that has tended to go to the business market. The new, more specific target will simply require BT to continue cutting residential prices at the same rate as, on average, it has for the last three years. This may not be particularly tough, but it is not absurdly soft either.

For the really good news, investors should look to the business and higher-spending residential markets, where BT is to be freed from regulation altogether. This is no licence to print money: just because the regula-tor is letting go, BT will not suddenly be able to raise prices without severely damaging its market share. What it might be able to do, though, is secure some welcome relief from the vertiginous rate - 9 per cent a year in real terms - at which business prices have dropped in recent years.

ulation that is important in this losses and operates from a high cost review: even in the residential market,

the regulator says he expects this price review to be the last. BT is unlikely to turn such an attractive offer down. But will its new freedom be enough to spice BT up as an invest-ment? After all, sceptics say, BT will be lucky to deliver medium-term earnines growth much above 5 per cent a year. So at about 12 times this year's earnings, the shares hardly look

cheap.
But this assessment ignores two factors: the plentiful scope for enhancing earnings by gearing up the balance sheet once the review is safely over. and the long-term prospects of BT's investments in, for instance, Celinet and MCI. Take these into account, and the shares still look attractive.

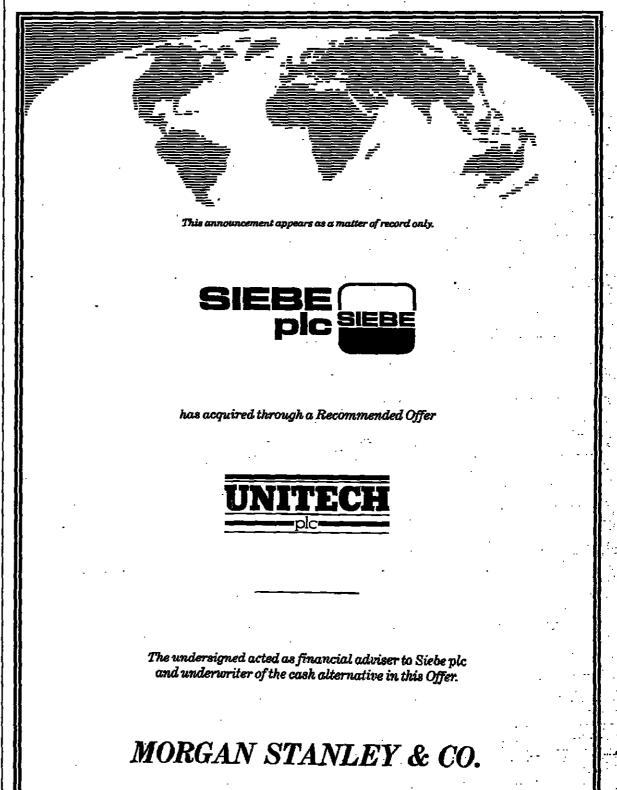
Tesco

Tesco's latest loyalty card innovation looks particularly smart. The superstore chain has reinforced its position as market leader by coming up with a bold new concept: a loyalty charge card which pays 5 per cent interest on cash balances and charges only 9 per cent on overdrafts. Not only does the new scheme create an impression of superior customer service, it may even boost profits - the evidence from the US is that retailer-branded charge card and credit card customers spend more. Certainly, the worst case scenario seems to be that the scheme will break even and leave customers with a warm, fuzzy feeling about the company - and with an even closer tie to prevent them from returning to a

Furthermore, it is a clever way of achieving a marketing victory in the extremely competitive food retailing market without cutting prices. For this, at least, Tesco's rivals should be grateful, particularly as the petrol price war has already hit profits in the sector. This move should help calm concerns about a potential food price war: despite the competitive environment. UK food retailers are showing a sensible regard for preserving their

relatively fat margins. But of course there had to be a loser. It is less than a month since J. Sainsbury announced its own plan to launch a loyalty card - well behind similar initiatives from Tesco and Safeway. If it turns out to be another conventional loyalty scheme, it will look pretty stale next to Tesco's new plan. All this makes Sainsbury's shares, on a near market rating, look expensive relative to Tesco, trading at a 5 per cent discount to the market.

> Additional Lex comment on Yorkshire Water, Page 24



FINANCIAL TIMES COMPANIES & MARKETS

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Tuesday June 4 1996



IN BRIEF

ISS shares plunge to two-year low

Shares in ISS, the Danish-based international contract cleaning group, slid to a two-year low of DKr102 as its financial crisis degenerated into a fend between Mr Henrik Slipsager, former US manager, and the present management. Page 21

Gemina stides 9% on news of losses Shareholders in Gemina, which include some of thaly's largest corporate dynasties, saw the value of their investment tumble almost 9 per cent, follow-ing Friday's announcement of heavier-than-expec-ted losses. Page 20

In Prague, blue chip stocks moved sharply lower as investors awaited the outcome of talks on forming a new government after the indeci-sive general election vote at the weekend. The PX50 index lost 22.9, or 4.1 per cent, to 530.6 as market leaders such as Komerční Banka, CEZ and STP Telecom, which feature in the portfolios of most inter-

national investors in the Czech market, all fell. Enichem to sell L200bn Montefibre stake

Enichem, the chemicals subsidiary of Eni, Italy's state-controlled oil, gas and chemicals company, is to complete its restructuring with the L200bn (\$129m) sale of its majority stake in Montefibre, a quoted Italian manufacturer of synthetic fibres.

Japan Tobacco hit by planned share sale Japan Tobacco, the state-owned tobacco company, has set in train plans for the second public offering of shares held by the government. JT's stock price fell Y43,000, or 4.7 per cent, to Y881,000. Page 22

Chung plans new route for Hyundai Motor After years of steady growth, Hyundai Motor is facing increasing challenges. These pressures may explain the belief of Mr Mong-Gyu Chung, the new chairman, that his group, long regarded as part of one of Korea's most determined and independentminded chaebols (conglomerates), should co-operate more closely with other carmakers. Page 22

Univar board backs \$500m Pakhoed bid Pakhoed, the Dutch oil and chemical storage company, has launched a public offer for all outstanding shares of Univar, the US chemical distribution company in which it holds a 28 per cent stake. The offer, which has been unanimously endorsed by the Univar board, is worth almost \$500m. Page 23

Facia's shoe shops go into administration Shoe shops belonging to the UK's Facia Group were put into administration after accountants KPMG withdrew a High Court challenge to have them placed into receivership along with other parts of he group. Page 24

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Whithread

Chief price changes yesterday PARIS (FFr) Rises: Ar Liquid Ar Liquid Rafta Impla Imp 9% 2% 1% Registra Power 1.14
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By Milchael Lindemann in Bonn German engineering group incurs interim loss as new orders weaken

Deutsche Babcock sees 'another recession'

Deutsche Babcock, the German engineering conglomerate, yesterday reported an unspecified loss in the six months to the end of March and said there were further signs that the German engineering industry was heading for "another recession".

In a letter to shareholders, the group blamed the poor results on the fact that larger new orders bad not been booked during the period and on further unspecified

Mobil

shake-up

structure

at the top

Mobil, the leading US energy

multinational, yesterday announced a top management

shake-out intended to comple-

ment the deep-seated operational

restructuring under way in the

Its present hierarchy, based on

three global divisions, will be

splintered into 11 business units

reporting through a small central

management group to a strategic and policymaking "executive office" of four people led by Mr

Lucio Noto, group chairman and

The break with the global for-mat, typical in oil industry man-

agement, was "not driven by cost

reduction", Mr Noto said. How-

ever, the changes were consistent

with reaching the objectives of

the group's restructuring pro-

There would be no extraordi-nary costs or job losses directly

associated with the shuffle.

which would facilitate further

operational changes still in the

introduced at Mobil include a 50:50 joint refining and marketventure with British Petro-

leum, in which the groups agreed

marketing concern, paid \$300m

for interests including Mobil's

stake in 24 gas processing plants.
The benchmark change announced yesterday is the sepa-

ration into two units of explora-

tion, production and marketing and refining in north America, "where integration provides little

value", the company said.

Elsewhere, all oil-based energy interests will remain integrated within four stand-alone regional businesses — each with its own chief operating officer — covering

Europe and eastern Europe, Asia/ Pacific, South America and Africa and the Middle East.

Two intermediary "business

councils" - one each for upstream and downstream inter-

ests - are intended to make sure

"these guys don't go into their silos" and will oversee promotion of global strategies in the

Worldwide operations, includ-ing trading and logistics, chemi-

cals, new exploration projects

and liquefied natural gas will

also be managed separately but on a global basis. Technology,

newly designated as a busine group in its own right "to reflect its importance to the corpora-

hubricant assets.

pipeline, the company said. Important changes recently

chief executive.

By Christopher Parkes

reaches

restructuring costs. The group's shares closed at DM91.60, down

Analysts described the Deut-sche Babcock warning as "very depressing" and said the company was preparing its share-holders for a larger-than-expected loss for the full year ending Sep-tember. The company in Februdeclined to specify its size.

While Deutsche Babcock suggested its own difficulties reflected those of the industry generally, analysts said the Oberhausen-based group had plenty of homemade problems, mainly because it had done too little to cut costs and had not focused its

Mr Heyo Schmiedeknecht, chief executive, said in February that non-core businesses worth up to

DM1.6bn (\$1bn) would be sold off concentrate on two activities: as quickly as possible.

Little has happened since then even though the group admitted in the letter to shareholders that the size of this year's forecast losses, which are expected to be lower than the DM46m shortfall reported last year, depended on how many businesses it managed The group also said it would

plant engineering, which would have a turnover of about DM5bn. and engineering, the second division with sales of about DM1.9bn. The group's other assorted

businesses, most of which are expected to be sold, are grouped sales of about DM2.3bn. Deutsche Babcock said sales in

the six months to March 31 had

fallen 10 per cent to DM2.95bn while new orders had fallen 5 per cent to DM4.07bn.

Orders at its engineering businesses had "declined continu-ously" since the middle of last

Sales for the full year are expected to reach DM8.5bn, slightly higher than the DMS.3bn reported in 1995, while new orders are forecast to reach between DM8.5bn and DM9bn. compared with DM9.8bn last

UK investment bank recruits head of Flemings in London's latest high-profile move

BZW appoints outsider for post of chief executive

Mr Bill Harrison, head of investment banking at Flemings, the UK merchant bank, is to take over as chief executive of BZW, the investment banking arm of Barclays. The appointment is the latest in a series of high-profile moves at London financial insti-

Mr Harrison, 47, was chosen by Barclays ahead of internal candidates who included Mr Donald Brydon, BZW's deputy chief executive. Mr Harrison will succeed Mr David Band, 53, who died in March while on a skiing holiday. His salary and bonus were not

disclosed, although his pay is likely at least to match the £1.9m he is thought to have been paid last year by Flemings. Mr Martin Taylor, Barclays' chief executive, said Mr Harrison's pay would depend on performance. The value of those able to manage large organisations such as

what such people are being paid had better fasten their seat belts. because this is only the begin-

It is the highest profile City appointment this year, given Barclays' claim to be the leading British-owned merchant bank. BZW is attempting to compete more strongly with US investment banks such as Goldman Sachs in global markets.

Mr Taylor said Barclays had considered "one or two" senior US bankers for the post, but the "cultural fit" had been one reason for the choice. "Bill is not a default option. He is a brilliant person for the job," said Mr Tay-

Mr Harrison has worked at Flemings for three years, leading a push by the privately-owned merchant bank to compete more strongly in corporate finance work. He is credited with galvanising Flemings into gaining work in mergers and acquisitions. This investment banks was rising, and includes acting as adviser to ING



Group, the Dutch bank, when it bought Barings, and Dresdner Bank when it acquired Kleinwort

Mr Harrison faces a more complex task at BZW, which has a wide range of operations. He is likely to work alongside Mr Brydon, who said yesterday that he was "delighted" by the appoint-

Mr Taylor said BZW had looked outside to fill the post before Mr Band's death because it had was already planning for someone to take over from Mr Band in due course. He spoke to Mr Harrison about this possibility in Febru-

Mr John Manser, group chief executive of Flemings, said the

on its already strong position. Mr Manser will take over as chairman of Flemings' investment banking committee with five executives under him.

Other investment bankers privately expressed surprise at Barclays' choice of Mr Harrison, arguing that he lacked the experience to manage all BZW's

Crédit Foncier investors threaten rebellion

Minority shareholders in Crédit to pool \$5bn of European fuel and Foncier de France, the troubled Last week Mobil struck a deal property bank, believe they may ceding control of its US and have amassed enough voting Canadian natural gas marketing power to block approval of the group's accounts at its annual general meeting, scheduled for to Houston-based PanEnergy, which operates north American gas pipelines. PanEnergy, which the end of this month. has a 60 per cent stake in a new

They have written to the group's auditors expressing concerns at the large losses reported in the provisional 1995 accounts released at the end of April, and

reasons for sharp changes in accounting practices.

Ms Colette Neuville, head of

Adam, the French association for the defence of minority shareholders which is acting for investors in the group, said she had proxies for more than 6m shares, which based on attendance at the last few AGMs would be sufficient to achieve a one-third blocking minority.

Her action, following losses unveiled by Crédit Foncier's new

of FFr10.8bn (\$2.1bn), is designed partly to put pressure on the French government to become more active in restructuring the bank.

She has written to Mazars, Crédit Foncier's auditors, asking it to explain to shareholders why, so shortly after valuations at significant levels for the group's assets, there was justification for provisions of FFr13.6bn.

Separately, CFF employees

ahead of planned redundancy measures proposed to reduce operating costs at the bank. A large group even rented a boat to protest outside the headquarters of the ministry of

finance and economics in Paris, which sits on the banks of the River Seine. In answer to a question in the French National Assembly, Mr Jean Arthuis, the economics and

THIS ANNOUNCEMENT AIPPEARS AS A MATTER OF RECORD ONLY

the bank to consider any possible legal action that could be taken against past directors. Although the French govern-

ment no longer holds any shares in CFF, it sits on the group's board and has the power to nominate the chairman or "gover-

Earlier this year, it exercised this power to fire the incumbent governor as the indications of the group's worsening financial

Dalgety warns as **BSE** and cat disease hit profits

Consumer Industries Editor

Dalgety, the food processor, yesterday made the first BSE-related profits warning by a large UK public company since the European Union banned exports of British beef in late March. A neurological disease in Dutch

cats has also hit its profits. It said the impact of the two diseases on three divisions - food ingredients, petfoods and animal feeds - would be up to £25m (\$38m) in the financial year to Dalgety's shares closed up 1p

tion", also falls into this cateat 375p because the City was relieved it had quantified the Under the new structure, operations which function in a worldwide market, such as shipdamage. Analysts who had shaved their forecasts over ping and trading, or against global competitors, such as chemrecent months knocked an addiicals, are expected to maintain

their competitive edge.

Refining and retailing tend to be regional in nature because of the high cost of transporting pet-

rol and other products.

Apart from Mr Noto, top rankers in the new "executive office" are Mr Paul Hoenmans, currently impact of bovine spongiform encephalopathy on them is limresponsible for upstream business; Mr Eugene Renna, the head of downstream operations; and Mr Robert Swanson who has hitherto overseen chemicals, property and technology.

Overall business results will

figure among this group's respon-sibilities which also include executive development, strategy and policy.

The next management tier, responsible for group-wide administrative tasks, including

public relations and personnel,

will be led by Mr Thomas DeLoach, the chief financial offi-

tional £10m-£15m off yesterday. The City of London is now expecting pre-tax profits of about £110m before big exceptional costs for merging the Quaker petfoods business bought last year. Other UK food processors such as Hillsdown Holdings, Northern Foods and Unigate have said the

ited and often offset by factors such as a rise in the sale of other meats. Abattoirs have been hit but many of them are owned by private or foreign rather than public UK companies. Of Dalgety's £25m profit shortfall, about £5m covers problems

at its Dutch pet food plant. It said circumstantial evidence" had linked dry cat food produced there to polyneurothapy, a neuro-logical disease in Dutch cats. "We have not yet identified the cause," said Mr Richard Clothier, chief executive.

Richard Clothier: £25m shortfall

uct exported went to continental neighbours, the company said. It has written off Dutch stock and re-sourced the product abroad. Most is sold under the Tom Poes brand, a small quantity as Felix, one of Dalgety's largest brands, and the rest through retailers' own brands.

"Sales will take some time to recover," Mr Clothier said, but he stressed that they were a small part of its Dutch turnover. The biggest BSE impact on Dalgety is in petfoods which contain

beef products. Most of the profit shortfall comes from a one-off write down of stock and the rest from the on-going fall in sales. In addition, sales of food ingredients such as seasonings have fallen because of reduced con-

sages. But sales of other ingredients such as fish coatings are up. The smallest impact is on animal feeds. Sales to cattle farmers have halved but they account for The small amount of the prod- only 5 per cent of total feed sales.

sumption of hamburgers and sau-

finance minister, pledged that public prosecutors would be situation emerged.

The Royal Bank of Scotland plc

Sale of the share capital and indebtedness of The Charles Church Group plc to Beazer Homes Plc for a total consideration of £,35.7 million

J O **HAMBRO MAGAN** & Co

acted as financial adviser to The Royal Bank of Scotland plc

J O Hambro Magan & Company Limited 32 Queen Anne's Gate London SW1H 9AB Tel: 0171 233 1400 Fax: 0171 222 4978

Regulated by The Securities and Futures Authority Member of the London Investment Banking Association By Andrew Hill in Milan

Shareholders in Gemina, which include some of Italy's largest corporate dynasties, saw the value of their investment turnble almost 9 per cent yester-day, following last Friday's announcement of heavier than

Minority shareholders in the Italian investment company, including small savers and fund managers, are planning to press for further information ahead of the annual meeting will be their first opportunity to ouiz the board since the collapse of last year's ill-fated cast, due to heavier restructur-attempt to merge Gemina with ing costs and delays in com-Ferruzzi Finanziaria (Ferfin), the holding company. On Friday, well after the

markets had closed, Gemina reported a net consolidated loss of L632bn (\$408.29m) for 1995, compared with the group's November forecast of a net loss of L468bn, and the 1994 loss of L261.6bn.

The company's shares fell 3 per cant on Friday after RCS, the group's publishing and media subsidiary, revealed that it had lost more than expected. It reported a deficit of L729bn. some L140bn worse than fore-

pleting a magazine alliance with Burda of Germany. Yesterday, Gemina's shares fell by Lat to Lass.

Gernina had to exclude its wholly-owned finance company Gemina Capital Markets from the consolidated results because the Swiss authorities blocked the transfer to Italy of information about certain Swiss subsidiaries on legal

Gemina is one of Italy's 30 largest quoted companies and is controlled by a shareholder pact headed by Fiat, the auto-

motive and industrial group, Mediobanca, the Milan mer-chant bank, Pirelli & C, parent company of the tyre and cable manufacturer, and Generall, Italy's largest insurer.

In September, the pact backed the "SuperGemina" plan to merge with Ferfin, which controls the Montedison industrial holding company. The plan was shelved and the board reshuffled six weeks later, after further losses emerged at RCS and magis-trates put 10 executives and former executives of the group under investigation for alleged

falsification of accounts.

tion of small shareholders, yesterday urged the new board to supply investors with the outline balance sheet for 1995 well ahead of the annual meeting. The association is planning

surv's 100 per cent stake in Eni

The combination of L3,500hn

of disposals and a L8,000bn recapitalisation by Eni had cut

Enichem's net debt to L1,735bn

by end-1995, compared with L8.356bn at the end of 1993.

1,700 people and has sales of

L462bn, 44 per cent outside

Banque Paribas and Medio

banca, the Milan-based mer-

chant bank, have been advis-

ing Eni on the Montefibre

action against former executives, but Mr Adamo Gentile, Assorisparmio's president, said yesterday: "We don't want to declare war on this board. Gemina, which said it had detected signs of a recovery in the first months of 1996, said it finished 1995 with net cash of L914bn, following last spring's

last autumn.

Postbank earnings quadrupled to DM226m

By Michael Lindemann

Postbank, the German postal savings bank which is trying to fight off a hostile bid from Deutsche Post, the federal postal service, reported that 1995 net profits rose fourfold, from DM51m in 1994 to

DM226m (\$148m). Mr Günter Schneider, chief executive, said he expected the bank, which is due to be listed on the stock exchange in 1998 to be able to repeat the results this year, despite the "more difficult environment" caused by lower interest rates.

The main problems, Mr Schneider said, were caused by 4.6 per cent drop in net Net commissions also slipped, by 3.6 per cent to DM910m. as. customers preferred to do their banking by telephone.

The restructuring, piloted by Mr Marcello Colitti, Enichem's However, despite the lower interest rates, Mr Schneider chairman, has also concentrated the group on its core businesses of base chemicals said he was confident that Postbank - which is still 100 per cent state-owned and 80 per cent of whose employees are civil servants - would be Montefibre employs 2,600 people, mostly in Italy, and last able to improve its efficiency year reported a net profit of enough to report similar prof-L42bn, on turnover of L1,302bn. its this year. The Finlane group employs

He said the bank also expected to be able to improve the profitability of its own-account trading, where carnings in 1995 were almost doubled to DM45m.

Deutsche Post launched a hostile takeover for Postbank last September, aided by Deutsche Bank and Swiss Re, the reinsurance group. Yesterday, Mr Schneider said the difficult talks with Deutsche Post, mediated by the London investment bank Schroders, were nearing a successful

"We are no longer discuss-ing [that Deutsche Post] takes a majority stake in Postbank," he said.

"Now we are talking about a stake which would be below 25 per cent, and I think that is a discussion which is tending in the right direction.

"One thing has to be clear -Postbank is not there, and does not want to be there, just to clean up the balance sheets of other companies,"

UK insurers may buy Argentaria business

The merged UK group being formed by Royal Insurance and Sun Alliance might be a possible purchaser of the general insurance arm in Spain of Hercules Hispano, according to the unit's parent company, the Argentaria banking group.

Argentaria signalled earlier this year it no longer considered

general insurance a core business. The banking group indicated yesterday negotiations had taken place with Royal Insurance or Sun Alliance about a deal possibly worth more than £80m (\$122.8m). It said it was also in contact with other potential buyers. Neither Royal nor Sun Alliance would comment on "speculation". It is unlikely any deal would be agreed before their merger is completed, expected next month. However, they have indicated they would be looking for continental European expansion. Both have Spanish operations.

Tom Burns, Madrid and Ralph Atkins, London

Mediaset flotation held up

Consob, the Italian financial markets watchdog, will not be able to approve the flotation prospectus of Mediaset. Mr Silvio Berlusconi's media company, until near the end of the week. Consob officials said Mr Enzo Berlanda, the Consob president heavily involved in the process, would be out of Italy until late on Wednesday. Mediaset had originally planned to begin its investment roadshow on Wednesday or Thursday. Italian newspapers at the weekand cited Consob sources saying the judicial investigations into Fininvest, Mediaset's majority shareholder, would not present obstacles to the prospectus'

AGF emplovee tranche taken up

The tranche of shares reserved for employees of Assurances Générales de France, the insurance group being privatised, was near-fully subscribed, according to preliminary estimates The 6.2m shares allocated to staff at a discount to the public offer price were just about taken up.

Government figures over the weekend indicated that more than 850,000 individuals had demanded shares, at FFr128 each, in the retail tranche of the privatisation. This was twice the number predicted by some internal estimates and more than three times the number allotted. The order value was FFr6.7bn (\$1.3bn). The institutional tranche was over-subscribed more than six times. The privatisation should not FFr8.5hn
-FFr9.8bn for the state.

Andrew Jo.

Rante.

marcal

Bosch deputy chairman dies

Mr Friedrich Schiefer, deputy chairman of Robert Bosch, the German automotive components and engineering company, has died, aged 57. A former executive at McKinsey, the management consultancy, he joined the Allianz insurance

concern in 1984, moving to Bosch eight years later. He was set to succeed the late Wolfgang Schieren as chairman of Allianz, Europe's biggest insurance group, in October 1991. But the company announced three months before the proposed handover that Mr Schiefer, then finance director, was leaving. Personal reasons were cited, but there was speculation that policy disagreements - partly related to Allianz's costly expansion in the US and eastern Germany played a part. The assertive Mr Schiefer may also have ruffled feathers by backing Italy's Pirelli in its controversial attempt to acquire Continental, the German tyremaker. He was then a member of Continental's supervisory board. Mr Schiefer was born in Leverkusen and studied

nanagement and economics. He joined Bosch in 1992 and ran the US operation before becoming deputy chairman in July Andrew Fisher, Frankfurt

Enichem to sell L200bn stake in Montefibre

Enichem, the chemicals subsidiary of Eni, Italy's state-controlled oil, gas and chemicals company, is to complete its restructuring with the L200bn (\$129m) sale of its majority stake in Montefibre, a quoted Italian manufacturer of synthetic fibres.

The sale - through a public offer of the ordinary and savings shares owned by the Eni group - will reduce Eni-chem's debt by a further

At the same time, Finlane, a family-owned Italian textile and engineering group, is considering a public offer of about 45 per cent of Montefibre at L1,200 per ordinary share, compared with Montefibre's current market price of L1,160. Enichem and its sister com-

By Christopher Bobinski

tive, said yesterday.

Poland's state-owned Bank Handlowy

wants to see a start made next year on

its privatisation with a listing on the Warsaw Stock Exchange, Mr Cezary

Stypulkowski, the bank's chief execu-

"Foreign investors will be included in

the process but decisions have yet to be taken on whether they should be port-

folio investors or or a strategic part-

ner," he said, adding that "the interests

of our 125-year old bank should be para-

"A change in our status is essential."

mount in determining that choice".

to sell 66.4 per cent of Montefibre's ordinary shares and 46.5 per cent of its savings shares through an offer to existing Montefibre shareholders an institutional placing and a public offer next month. The group will offer ordinary shares with

warrants, convertible into savings shares, at L1,100 each. Finlane said its offer was subject to approval by Consob, the Italian financial markets watchdog, and to a two or three-week examination of Montefibre's factories by Orlandi and Sant'Andrea Novara, the two Finlane companies which will carry out the

The restructuring of Enichem has been the most difficult part of the general reorganisation of Eni set in motion by Mr Franco Bernabè, the group's chief executive. Three years ago, many ana-

would facilitate.

Poland's hanks



Franco Bernabè: initiated reorgansiation of Eni

lysts thought Eni would have to be privatised without Enichem, which lost 1.2,668hn in

disposals of non-core businesses, which halved the workforce to 16,000, it made a net 1993. profit of L1,063hm in 1995, eas-Following painful cuts and ing the partial sale of the trea-

versial bank consolidation programme.

Under this scheme, BH would have

been bundled up with a state-owned

the treasury's 47 per cent stake in the

listed Bank Przemyslowo Handlowy in

But after months of debate, the gov-

ernment now appears to see the state-

owned PKO SA bank acting as a leader

for a financial group made up of three

regional banks in Lodz, Szczecin and

Lublin, while the treasury's stake in

BPH would be sold to private investors.

regional bank in Szczecin and handed

Bank Handlowy seeks listing as it heads for record excluded from the government's controand ING, the Dutch financial group which own minority stakes in the BPR and have protested at plans to link that

Italy.

bank to BH. Meanwhile, the state-owned Pow szechny Bank Kredytowy, which is to be privatised later this year, is positioning itself at the centre of a new banking

PRK's plans included the purchase of stake worth 33m zlotys in the listed Kredyt Bank, giving it a 21.5 per cent share of Kredyt's equity. PBK has also signalled plans to purchase a 30 per cent share in the Polish Development Mr Stypulkowski said yesterday that This would mollify the European Bank Bank, which is also listed BH appeared now to have to been for Reconstruction and Development, saw Stock Exchange. Bank, which is also listed on the War-

GENBEL

Mr Stypulkowski continued, "as the

Handlowy has to have access to funding

which a listing on the stock exchange

Mr Stypulkowski's remarks came

with the publication of last year's

results showing a 420.6m zloty (\$162m) net profit. Of this, about 80 per cent is to be used to raise the bank's capital to

1.8bn zlotys, making BH the largest of

have seen BH's net profit rise to 275m

zlotys, suggesting the bank is set to

report record results for 1996.

The first five months of this year

Genbel South Africa Limited (Incorporated in the Republic of South Africa) (Formerty "Genibel Investments Limited") (Registration number 05/32379/06) ("Genbei South Africa")

Genbel Securities Limited (incorporated in the Republic of South Africa) (Formerly "Unisen Investments Limited") (Registration number 77/02124/06) ("Genibel Securities")

The unbundling of Genbel South Africa: **Results of the Election**

1. INTRODUCTION

Rand Merchant Bank Limited and ABSA Corporate and Merchant Banking are authorised to announce the results of the election ("the election") by shareholders of Genbel South Africa ("shareholders"), postal acceptances of which closed on Friday, 31 May 1996.

Number of

2. RESULTS OF THE ELECTION

| Alternative | Genbel South Africa shares for which alternative was elected | Percentage of Genbel South Africa shares |
|--|---|---|
| 1. Genbei South Africa | 29 314 170 | 6,75 |
| 2. Cash | 3 903 231 | 0,90 |
| 3. Share distribution | 273 150 156 | 62,85 |
| 4. Genbel Securities and cash | 116 702 047 | 26,85 |
| 5. Genbel Securities and Genbel South Africa | 11 511 372 | 2,65 |
| Total | 434 580 976 | 100,00 |
| Note | | |

Shareholders who did not timeously elect any of the alternatives available to shareholders retained their investment in Genbel South Africa.

3. EFFECT OF THE ELECTION ON GENBEL SOUTH AFRICA

| | Prior to the the unburdling (as at 24 May 1995) | Pursuant to the unbundling (as at 24 May 1996) |
|---|--|---|
| Number of shares in issue | 434 580 976 | 37 903 249 |
| Issued share capital (R'000) | 43 458 | 3 790 |
| Share premium account (R'000) | 562 754 | 7 854 |
| Net asset value (R'000) | 5 225 609 | 559 481 |
| Net asset value per share (R) | 12,02 | 14,76 |
| Number of Genbel Securities shares held | 108 645 244 | 7 328 543 |

1. Pursuant to the approval obtained on Tuesday, 21 May 1996 from the Supreme Court of South Africa of the capital reductions of Genbel South Africa and the elections made by shareholders, the Issued share capital of Genbel South Africa has been reduced from R43 458 098 to R3 790 325. The share premium account has been reduced from

2. The above values of Genbel South Africa do not include the value of the shares to be distributed in the second phase of the unbundling nor the Genbel South Africa 'A' shares relating thereto.

4. FOREIGN SHAREHOLDERS

Cheques in respect of the cash offers and/or fractional entitiements will, in the instance of foreign sharholders, be issued in pounds sterling.

4 June 1996

SANDVIK AKTIEBOLAG are hereby called to a Special General Meeting of the Company to be held on Tuesday, 18 June, 1996, at 3:00 p.m. at the offices of Sandvik Coromant,

The shareholders of

Mossvägen, Sandviken, Sweden. AGENDA

1. Election of Chairman of the Meeting; preparation and approval of the list of shareholders entitled to vote at the Meeting; election of one or two minute-checkers, and determination of whether the Meeting has been duly

2. Approval in accordance with §10 in the Articles of Association of the divestment of the Company's holding of shares in Tamrock Oy (Tamrock) to Oy Tampella Ab (Tampella). The holding represents 25% of all shares outstanding in Tammock and the purchase price is FIM 325 M.

In conjunction with the transfer, Sandvik will subscribe for a three-year conventible debenture Joan in Tampella in a nominal amount of FIM 322 M and with the possibility during the term to convert to 28 million Tampella shares. A cash amount of FIM 3 M is being paid.

After full conversion and considering Sandvik's shareholding in Tampella at 29 May 1996 (64,376,087 shares) and assuming unchanged relationships in other respects, Sandvik will own 92,376,087 Tampella shares corresponding to 57.3% of the capital and votes in the

NOTIFICATION

Shareholders who wish to participate in the Meeting should no-tify the Board of Directors by mail addressed to Sandvik AB, Legal Affairs, S-811 81 Sandviken, Sweden or by telephone, +46 (0)26 26 10 81 or telefax, +46 (0)26-26 10 86, Such notifi cation must be received by Sandvik AB not later than 3:00 p.m., Cation lings to tracerve or smarrier to the Thornday, 13 June 1996. To be eligible to participate in the Meeting, shareholders must be recorded in the share register.

Victimaturerscentrates VPC AB (Swedish maintained by Värdepapperscentralen VPC AB (Swedist Securities Regisser Centre) as of Friday, 7 June 1996. Shareholden whose shares are registered in the name of a trustee must have temporarily re-negistered the shares in their own name not later than 7 June 1996.

The notification should state the shareholder's name, national registration or corporate identity number, address and telephone number. Sandvik AB will confirm receipt of the notification by forwarding an admission card entrance to the Meeting venue.

Sandviken, 29 May 1996

SANDVIK AKTIEBOLAG; (publ)



To the holders of Mortgage Capital Trust I Collateralized Mortgage Obligations, Series A Class A-1 Bonds Due 1st June, 2017

Notice is hereby given that the interest rate on the Class A-1 Bonds for the interest period 1st June, 1996 through Ist September, 1996 is

By: Bankers Trust Company, as Trustee.

Southcorp Finance USA Inc. (Formerly SAB Finance Inc.) U.S. \$60,000,000

75% Guaranteed Convertible Bonds due 1998 Guaranteed by Southcorp Holdings Limited

(formerly S.A. Brewing Holdings Limited) Redemption at the option of the Company

Notice is hereby given to all holders of the Bonds, pursuant to Condition 8(b) of the Bonds, that the Company shall redeem all outstanding Bonds on 2nd August 1996 (the "Redemption Date") together with the Conversion Bonds attached thereto.

The redemption price will be 101.25% of the principal amount of the Bonds. The redemption price of the Conversion Bonds is the principal amount peid up thereon.

amount paid up thereon.

Bonds should be presented for redemption together with all unmatured Coupons relating thereto, talling which the face value of any unpresented unmatured Coupon will be deducted from the sum due for payment. Any amounts so deducted will be paid against surrender of the relevant Coupon within five years from the Relevant Date (as defined in Condition 10 of the Bonds) in respect of such Coupon.

Bonds and Coupons will become void unless presented for payment within a period of ten and five years, respectively, from the Relevant Date.

NOTICE IS FURTHER GIVEN THAT, in accordance with Condition 4(a) of THO INCE IS FURTHER GIVEN THAY, in accordance with Condition 4(a) of the Conditions of the Conversion Bonds, the conversion right statching to each Bond shall terminate at the close of business on 25th July 1996. A Bondholder may convert any Conversion Bond into Ordinary Shares by delivering that Conversion Bond with the relevant Bond at the specified office of a Conversion Agent detailed below, together with a duly completed and signed Conversion Notice in the current form obtainable from the specified office of a Conversion Agent. from the specified office of a Conversion Agent.

IMPORTANT -- for illustration only

Value of Ordinary Shares into which each U.S. \$5,000 Bond is convertible (i) _____ .U.S. \$4,373.76 Hedemption price per U.S. \$5,000 Band Interest for Year Ending 2nd August 1996... ...U.S. \$5,062.51 ...<u>U.S.</u> \$ 375.00 Total redemption value.... ..U.S. \$5,437.51

Issued on conversion are to be registered in the same name, the number of such shares to be issued in respect thereof shall be calculated on the basis of the aggregate principal amount of the Bonds being so converted.

PAYING AND CONVERSION AGENTS The Chase Manhattan Bank, N.A. Corporate Trust Department Woolgate House, Cole et, London EC2P 2HD Banque Bruxelles Lambert S.A.

toe Menhattan Bank Jirembourg S.A Discribourg S.A.
5 Rue Plaetis L-2338 Luxembourg-Grund

B-1050 Brussels

on behalf of Southcorp Finance USA Inc.

4th June 1996

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USD 10,000,000,000 EURO MEDRIM TERM NOTE PROGRAMME OF SOCIETE GENERALE, SQA SOCIETE GENERALE ACCEPTANCE N.V. AND SOCIETE GENERALE AUSTRALIA LIMITED

SERIE N° 88/946, TR1.
SQA SOCIETE GENERALE ACCEPTANCE N.V.
FRF 800,000,000 PLOATING RATE NOTES DUE JUNE 2004
ISSN CODE : X50045009011 For the period June 03, 1996 to September 02, 1996 the new rate has been fixed at 7,915925 K.P.A. Next payment date: September 02, 1996 Coupan rr: 8 Amount: FRF 2 000.89 in the date

RF 2 000,89 for the denomination of RF 100 000 RF 20 008,94 for the denomination of RF 1 000 000

The Principal Paying Agent SOCIETE GENERALE BANK & TRUST - LUXEMBOURG

COMPANIES AND FINANCE: EUROPE

Deutsche Telekom turns its talent to global networking

Problems at home seem smaller as the group makes inroads to foreign markets

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hen Mr Ron Sommer and his seven col-leagues on the Deutsche Telekom management board reveal 1995 results today, they will have a hard job explaining the company's poor

service and high tariffs.
One thing they can be quietly pleased about, though, is the way Deutsche Telekom due to be partially privatised in November - has managed to launch itself on to the interna-

The achievement is all the more remarkable, analysts point out, because 18 months ago the state-owned behemoth was forbidden under the German constitution to own telecoms businesses outside Germany. "Having been a non-runner a few years ago. Deutsche Telekom is catching up very well indeed," a leading London-based telecoms analyst

Catching up - or better, positioning Deutsche Telekom well at a time when further changes

the job of Mr Jan Erik Nederkoorn, a 53-year-old Dutchman.

communications

Deutsche Telekom: worldwide strategy:

He briefly ran Fokker, the regional aircraft maker now on the brink of bankruptcy.
Mr Nederkoom is battling on
two fronts. On one side, Deutsche Telekom bas a stake in Global One, the three-way ven-ture with France Telecom and Sprint, the US telecoms group. The alliance is designed to pro-vide one-stop shopping for companies needing interna-

tional telecoms services. Global One, Mr Nederkoorn admits, is "an important part of our international strategy". In the same breath, though, he points out that "the three par-ent companies have their own

ties. Mobile phone services and which even Deutsche Telekom fixed network projects in specific countries, he says, are examples of the sort of busi-ness that Deutsche Telekom is developing on its own.

While other management board members are fighting to improve Deutsche Telekom's pitiful reputation in Germany, Mr Nederkoorn at least has the advantage of dealing with companies outside Germany who hold the Germans in high regard, in part because of their experience in re-wiring the whole of eastern Germany, a mammoth operation costing DM50bn (\$32.6bn).

"Many want to be our partners," he says. "Before you know it, you're looking at 200

That, he admits, is a task

- with its 210,000 employees and apparently limitless amounts of cash - cannot cope

In an effort to focus the activities, Mr Nederkoorn's team has drawn up a "hit list" of 29 countries where Deutsche

Telekom wants to play a role. The affable Dutchman will not specify where Deutsche Telekom is concentrating its resources, but clearly Asia has become important, not least because, as Mr Nederkoorn points out, the region is expec-ted to account for 35 per cent of world GNP in 2010.

Deutsche Telekom recently bought into Technology Resources Industries, a Malaysian-based operator, and there is speculation it is about to do

Thailand and Asia Communications Philippines.

While Deutsche Telekom generally prefers majority stakes, it is prepared to take on smaller ones as at TRI where, Mr Nederkoorn says, the con-tracts have been designed to ensure that the Germans have "management influence".

The other two Asian deals may be more attractive because Shinawatra and Asia Communications Philippines are already linked, giving Deutsche Telekom a stake in what is already shaping up as

a regional alliance. Furthermore, Global One is still looking for at least two partners to consolidate business in Asia. While there has

a deal with Shinawatra of ance would want to get a Japanese partner on board, Mr Nederkoorn is quick to point out that this alone is not enough to bridge the region's "different

Polska Telefonia

cultures". Elsewhere, Deutsche Telekom has moved quickly to win deals in eastern Europe where mobile telecoms is especially attractive because of the poor state of the fixed networks.

Analysts, meanwhile, suggest that Global One must follow the way of the US regional operators - the so-called Baby Bells. The US companies have struck a number of alliances in recent months and expanded into services directed more at private customers - phone charge cards, entertainment services, the re-sale of mobile

vices from corporate clients alone are not sufficiently prof-

100

Mr Nederkoorn baulks at the idea that Global One may fol-low suit. "Global One will be supplying seamless services to business clients, consumers and carriers. That's it," he

Whether Global One is going to be content with doing just that remains to be seen. Clearly, Deutsche Telekom's concern is to fit as many strings to its bow as it can ahead of another bout of consolidation in the international telecoms market. In the words of one analyst: "The bigger its portfolio is, the more attractive

Michael Lindemann | sales of DM14.2bn

Henkel chairman upbeat

Mr Hans-Dietrich Winkhaus, chairman of Henkel, said yesterday the German chemicals group expected to achieve double-digit sales growth in 1996, AFX reports from Düssel-dorf. However, he warned that earnings growth would be slower because of the costs of buying Schwarzkopf, the hair products company.

"The outlook for the whole of 1996 is generally positive for Henkel." Mr Winkhaus told shareholders at the annual

The company expected economic growth to remain moderate. "There has been a delay in the expected upturn in private consumption in western Europe," he said. US markets were stabilising and the Japanese market was recovering slowly, while growth in the other markets in south-east Asia was continuing apace, Mr Winkhaus said.

In the first four months of the current year, sales grew 12 per cent to DM5.28bn (\$3.4bn), largely as a result of the acquisition of Schwarzkopf from Hoechst. Pre-tax profits rose 4 per cent to DM254m, and net profits developed even better. said Mr Winkhaus. In 1995, Henkel's profits were DM488m; pre-tax they were DM760m, on

ISS shares dive to two-year low as crisis deepens

By Hilary Barnes

Shares in ISS. Danish-based international contract cleaning group, slid to a two-year low yesterday as its financial crisis degenerated into a a feud between Mr Henrik Slipsager, former US manager, and the present manage-

At the close in Copenhagen the shares were at DKr102, down DKr13 on the day and 38 per cent below last Wednesday's close of DKr164. On Thursday, ISS announced it would - take extraordinary charges of \$100m in 1996 to increase provisions for insurance liabilities at ISS Inc in New York, and to cover bookkeeding iffegularities there. over the past five or six years. The irregularities, allege ISS,

have artificially inflated profits. It says it will take legal action against those found responsible.

Meanwhile, the Copenhagen stock exchange has asked the Finance Industry Supervisory Authority to investigate insider trading connected with a put option placed shortly before the ISS statement on

The statement, which said the extra provisions were required to cover problems in New York going back several years, has drawn attention to the possible role of Mr Slipsa-ger, who resigned in 1994, and other members of the former

Management underwent sweeping changes last autumn when Mr Waldemar Schmidt, former manager for the Europe division, succeeded Mr Poul Andreassen as chief executive. Mr Slipsager leapt to his own defence yesterday in a fivepage statement to the media. ISS said it would make extra



Waldemar Schmidt: promotion marked start of overbaul

provisions of \$40m to meet potential liabilities under its self-insurance programme, used primarily to meet accident damage claims from employees. Mr Slipsager said +1 rovisions were always

ind and approved by the main board and its US s while he was in . in New York.

ISS said it would also take a charge of \$30m to cover balance sheet irregularities which have inflated profits, and another \$30m to cover possible further irregularities. Mr Slipsager claimed he had

information that the actual value of irregularities exposed so far was "closer to \$5m than \$30m". While irregulaties could not be defended or excused, "they should not be used as a dumping ground for other problems or "to wash off the management's failure to achieve its targets on to me". ISS refused to comment

Canadian Imperial Bank of Commerce Notice to holders of

yesterday.

CIBC Floating Rate Debenture Notes Due 2084

CIBC Floating Rate Subordinated Capital Debentures Due 2085 (together the "Issues") (together the "Issue")

Pursuant to Section 4.02(c) of the Trust Indenture dated as of July 24, 1985 providing for the issue of Floating Rate Debenture Notes Due 2084 and Section 4.02(c) of the Trust Indenture dated as of August 15, 1986 providing for the issue of Floating Rate Subordinated Capital Debentures Due 2085, CIBC hereby provides notice of the formal resignation, effective March 1, 1996, of Canadian Imperial Bank of Commerce (New York), formerly Canadian Imperial Bank of Commerce Trust Company, as Principal Paying Agent for the Issues.

CIBC also bereby provides notice of the formal appointment, effective

CIBC also hereby provides notice of the formal appointment, effective March 1, 1996, of United Missouri Trust Company of New York as Principal Paying Agent for the Issues.

Dated at Toronto, June 4, 1996

Canadian Imperial Bank of Commerce
P. T. Fisher, Corporate Secretary



AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED Starting Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period from May 31st, 1998 to August 30th, 1998, has been fixed 1996 to August 30th, 1996, raps deem hore at 6.25 per cent, per arrusm. On August 30th, 1996 Interest of starting 77.51 per starting 5,000 nominal amount of the Notes, and interest of starting 389.55 per starting 25,000 nominal amount of the Notes, will be due against Coupon No. 47.

\$ SBC Warburg





Mastellone Hnos. S.A. Republic of Argentina

US\$75,000,000

Financing for the Company's Corporate Investment Program

US\$55,000,000 Senior Term Loan

Provided by International Finance Corporation and through Participations in the IFC Loan by

The Sanwa Bank Limited, New York Branch Rabobank Curação n.v. Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden n.v. Banco Exterior (Suiza) S.A.

US\$20,000,000 Convertible Income Participating Loan

International Finance Corporation



April 1996

This announcement appears as a matter of record only



SanCor Cooperativas Unidas Ltda. Republic of Argentina

US\$70,000,000

Financing for the Company's Corporate Investment Program

US\$50,000,000 Senior Term Loan

Provided by International Finance Corporation

and through Participations in the IFC Loan by

Rabobank Nederland, Agri-Project Finance Team Crédit Lyonnais S.A. Vereins- und Westbank AG ARGENTARIA-Banco Exterior

US\$20,000,000 Convertible Income Participating Loan

International Finance Corporation



INTERNATIONAL FINANCE CORPORATION

March 1996

WORLD ACCOUNTING REPORT

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the Land



FINANCIAL TIMES Plnancial Publishing

COMPANIES AND FINANCE: ASIA-PACIFIC/INTERNATIONAL

Japan Tobacco shares hit by offer plans

By Emiko Terazono in Tokyo

Japan Tobacco, Japan's state-owned tobacco company, has set in train plans for a second public offering of sbares held by the govern-ment, sparking fears of over-supply on the Tokyo stock

JT shares plunged Y43,000, or 4.7 per cent, to Y881,000 as the company submitted a report to the finance ministry. A total of 272,390 shares, left unsold in JT's initial share offering at the time of its listing in 1994, are scheduled to be

offered this month. The sale would leave the government with two-thirds of the com-

The JT offering is the first of several government sell-offs planned for this year. The finance ministry has been forced to postpone its shareoffering plans, including JT's, due to the sluggish Tokyo stock market of the past few years. But with the Nikkei at a four-year high, ministry officials will try to increase government revenues at a time of faltering tax income.

sell 500,000 of its 10.4m shares

of Nippon Telegraph and Tele-phone, which was listed in 1987. The transport ministry is looking at offering shares in West Japan Railway, the sec-ond largest of the seven regional companies created when Japan National Railways

was broken up in 1987. However, investors are concerned over the government's recent record on share offerings. The sale of East Japan Railway shares in October 1993 triggered a sharp fall in the Tokyo stock market. The JT listing, in which 666,666 shares, or one-third of the government's stake, were sold off the

ent, and 40 per cent of the initial offering was left unsold. In spite of yesterday's jitters among investors, the govern-ment hopes that the JT offering will not have a negative

impact on the market.
It will use the book-building method to assess demand for the shares, rather than determining the offer price through a preliminary bid, which has tended to boost the share price. Nomura Securities and the London arm of Goldman Sachs are lead underwriters, and are scheduled to start assessments



pelains

Chung plans new route for Hyundai Motor

ong-Gyu Chung, the new chairman of Hyundai Motor, will be able to combine the cerebral with the commercial when he visits the UK in a few weeks. The Oxford-educated head of South Korea's biggest car-maker will be belatedly visiting his alma mater to collect his master of arts degree. A day later, he will swap dons for directors when he rubs shoulders with motor industry exec-utives at the British Grand

Silverstone meeting should give Mr Chung, one of the youngest heads of a big subsidiary of a Korean chaebol (conglomerate), his first opportunity to assess his counterparts. Such contacts could be useful given Mr Chung's view that Hyundai, long regarded as one of Korea's most determined and independentminded chaebols, should co-operate more with other car-

in an interview, he indicated that recent talks with Pengeot of France about buying diese engines marked a first sign of Hyundai's new attitude. The company retains close links with Mitsubishi of Japan. which has provided some carmaking technology, but he says "we'd also like to talk more to others".

One reason for the change of heart may lie in the new challenges facing Hyundai after years of steady growth. Like Korea's other carmakers, Hyundai is being squeezed between upstart, lower-cost, Asian rivals and higher-technology competitors from lapan, Europe and the US. Korea's cost advantages have

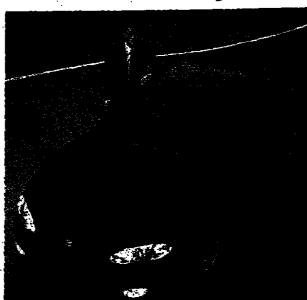
been eroded by relatively high inflation. Consumer prices have risen five times faster than in Japan in the past five years, and more than twice as fast as in the US. That has translated into inflation-busting wage deals, which have taken average pay packets for line workers in the motor industry to \$2,000 a month before tax. Matters have recently been exacerbated because the lower yen has restored some of Japan's lost

competitiveness Moreover, the buoyant domestic car market that has fuelled Hyundai's expansion may be slipping. This year's forecast growth in gross national product of 7.5 per cent sounds high, but it is a sharp fall from the double-digit rises of the early 1990s. Economists are hoping the government can engineer a "soft landing" to prevent demand for consumer

goods, like cars, collapsing. Matters will be aggravated in early 1998, when production starts at Samsung Motors, the new automotive subsidiary of the powerful electronics and trading group. "Samsung is what they're afraid of," one local analyst says. "It has the best management and the deepest pockets of any chaebol, thanks to earnings from electronics and semiconductors".

Samsung's debut will seriously challenge Hyundai in the domestic market. Until now, Hyundai has managed to main tain a market share of almost 50 per cent, in spite of incursions by Kia, Daewoo and

Ssangyong, its smaller rivals. Samsung, however, is in a different league. Backed by Nissan technology, it expects



Hyundai's Tiburon attacks the home sports coupé market

to build about 80,000 mid-sized cars in its first year. Output should soar thereafter as part of a \$16bn investment plan to make the company one of the world's leading carmakers by 2010.

Mr Chung believes Hyundai can retain its market share. Behind the official facade, however, analysts say the company expects its long-term market penetration to fall to a minimum of 35 per cent and probably more like 40 per cent.

Hyundai's defence is based on extending its range beyond its current four main models and improving quality. A slinky new coupe, the Tiburon, which is the first Korean-built sports coupé to be sold at home, has just gone on sale.

The Tiburon will break the monotony of a market dominated by bland sedans. Until now, Korea's four carmakers have had little incentive to expand their ranges because domestic demand has been buoyant and imports have been kept at bay by protectionist barriers. Japanese vehicles, for example, are banned in

But as Korean drivers become more demanding and imports make more of an impact, Hyundai will have to alter its strategy of building large volumes of relatively limited ranges. Mr Chung says the company is working on innovations. A sub-compact minicar will appear in late 1997, folby a multi-purpose

vehicle (people carrier) in 1999. "We have to introduce more variety in the domestic market", he says. Improving quality is the other tactic. "Quality at the moment is the biggest issue for us."

Mr Chung argues the styling of Hyundai cars has improved immeasurably. But he admits work is still required on engines, transmissions and chassis to produce world class" cars. The company is boosting spending on research and development to improve noise, vibration and harshu in recognition of the problems.

Broadening the range and improving quality should also help Hyundai abroad. The new mini-car, for example, forms a significant part of the compa ny's strategy to break into India. Mr Chung hopes to start producing the mini-vehicle and a larger counterpart near Madras by the second half of 1998. The smaller vehicle "will be a direct competitor" to the Maruti, India's best-selling car. he predicts.

Better quality should also help Hyundai avoid the mistakes of the late 1980s, when its booming US sales collapsed as customers found their cars enjoyed less-than-Japanese reliability. Although North American sales have returned to a stable 130,000 units a year, that is less than half their

"At that time, we were overconfident", Mr Chang says. Perhaps a dash of humility, alongside Hyundai's legendary drive and determination, is the most important quality the new chairman can provide.

Haig Simonian

Philippine National Bank goes private

By Edward Luce in Manile

The Philippine National Bank, the country's largest in terms of assets, was yesterday incor-porated as a private bank, six months after the government reduced its share to below 50

PNB officials said the change, made official yesterday by Manila's Securities and Exchange Commission, cleared the way for a thorough

The bank, whose shares closed steady yesterday at 460 pesos - almost double the value last December, when the government became a minority shareholder - intends to more than double its authorised capital stock to 25bn pesos (\$954.6m) at its first private shareholders' meeting on July 16. It will also increase the board from nine to 11 directors. With the Philippine banking sector growing by 30 per cent a year, PNB, which posted net profits of 2.1bn pesos in 1995, says it will move swiftly to revamp the former state-owned institution into a lean private sector bank. Its 8,000-strong payroll - roughly double the workforce of Metrobank, the largest Philippine bank in terms of market capitalisation

in Manila.
The change of status will allow PNB to divest nonperforming assets, including its former headquarters in the business district which has a market value of around 2bn pesos. The scrapping of govern-ment requirements will enable the bank to move more aggressively into the rapidly expand-

ing consumer loan market. With a price-to-book value of under two (considered a more effective measure of a bank's share value than the p/e ratio), PNB is considered a good growth prospect in relation to other large banks. Metrobank's price-to-book value is almost four.

6,000 within two years.
"Yesterday's change of status will have far-reaching consequences for PNB, not least

is expected to be cut to about

by putting it on a level playing field with its major competi-tors," said Ms Meluchi Adriano, an analyst at ING Barings

Cool global response to NZ bond buy-back

By Richard Adams

New Zealand's offer to buy back \$500m of yankee notes and £195.5m of loan stock met a muted response from over-seas investors, as political uncertainty provoked a "wait and see" attitude.

Mr Brian Farrell, a bond nanager with J.P. Morgan, said he had not received many enquiries following the offer yesterday, saying the market was quiet because of the political situation ahead of elections due in October.

"The offer sounds quite reasonable, but there's more concern if [New Zealand First ling bonds, and June 26 for the party leader] Mr Winston yankee notes.

Peters gets into a position of power. This [offer] may add some degree of stability to the

The New Zealand Debt Management Office is offering a repurchase price of yield to maturity plus fixed spreads ranging from 0.35 per cent to 0.10 per cent on the yankee notes, and 0.15 per cent for the sterling bonds.

Morgan Stanley will be exclusive dealer manager for the yankee notes, and BZW will act as exclusive agent for the loan stock.

The buy-back will remain open until June 14 for the ster-

KLSE sets rules on short selling

By James Kynge in Kuala Lumpur

Malaysia yesterday announced its first regulatory framework governing the short selling of shares. The move is part of a broader programme to add depth and sophistication to the country's booming financial

markets. The rules will restrict short selling to shares in about 30 of the "bluest of blue chip" companies listed on the Kuala Lumpur Stock Exchange, said Mr Khairil Anuar Abdullah, a director of the Securities Com-

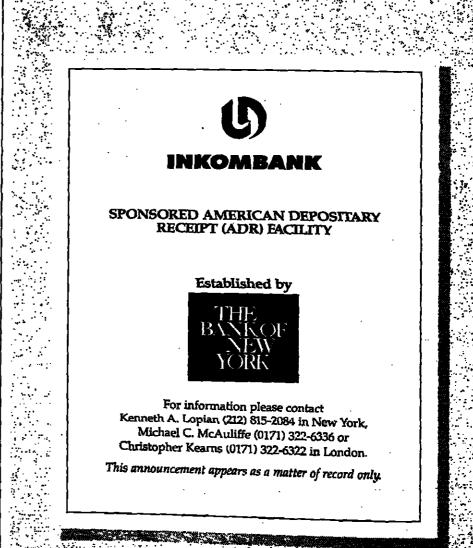
cials said the KLSE may be ready to implement the new rules from August or Septem-ber, paving the way for call and put options trading on the Kuala Lumpur Options and Financial Futures Exchange

(Kloffe). Kloffe, Malaysia's first financial futures exchange, was launched in November 1995 but has seen only modest volumes. Call and put options trade would boost its fortunes, securities analysts said. The Securities Commission

has ruled that short selling

Such selling occurs in Malay-sia but it is not regulated. Offi-liquid of shares. The average monthly share volume has to be more than 2m; registered shareholders must number more than 2,000 and the company must have at least 100m

shares in a public float. To ensure a high degree of transparency, brokers must report new short positions by 6pm on the day after they were taken and the KLSE must make public all short positions within two days. If the KLSE feels the short interest in the market has reached an "undestrable" level, it may suspend short selling activities.



COMPANIES AND FINANCE: THE AMERICAS

Univar board backs \$500m bid from Dutch group

By David Brown in Amsterdam

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Pakhoed, the Dutch oil and chemical storage company, has launched a public offer for all outstanding shares of Univar Corporation, the US chemical distribution company in which it holds a 28 per cent stake.

In a cash offer unanimously endorsed by the Univar board, Pakhoed proposes to buy the outstanding 25.6m shares for \$19.45 each - which values the bid at almost \$500m. Uni-

By Louise Kehoe

Hewlett-Packard, the US computer group, has claimed a performance record in the

technical workstation sector with machines used in complex

design and modelling appli-

cations.
The HP machines, intro-

duced yesterday, are based on

a new version of the company's

Pa-Risc microprocessors and

are almost three times faster

than existing HP workstations.

\$5.2bn world market, saw tech-

nical workstation revenues

grow 25 per cent last year, fas-

ter than those of Sun, which

led the market last year with

about a 30 per cent share.

HP, number two in the

\$6%, in mid-session yesterday.

Pakhoed said it had aiready agreed to acquire 5.1m shares held by Dow Chemical of the US and others, which would bring its total stake to 51 per cent, Pakhoed valued the remaining shares at F1520m (\$304m).

Univar is a market leader in the North American chemical distribution market, with a turnover of \$2bn, and an important group in the UK, Scandinavia and Switzerland. By integrating Univar's operations with those of var shares were trading at \$19%, up Lambert Riviere, a French company it

designers of complex struc-

tures such as an aircraft wing,

or a microchip containing mil-

lions of transistors, could

shave weeks off the months that it might take to complete

such a project, said Mr Dick Watts, vice-president and gen-

eral manager of HP's computer

in particular, HP has lifted

the 3D graphics performance of

its workstations. While easily

outpacing Sun's fastest work-stations, the new HP machines

are also three times faster than Silicon Graphic's highest per-

formance graphics workstation, HP claims.

In terms of raw computing

power, HP also claims to have

overtaken the current perfor-

systems organisation.

The new machines mean mance leader, Digital Equip-esigners of complex struc-

chemicals distribution group in

tranche of preference shares to be subsidiary, which is involved issued in the second half of this year. tranche of preference shares to be Mr Klaas Westerdijk, Pakhoed chairman, said it was an important step in nals and of its Rotterdam facilities for the company's strategy to become a mineral and edible oils handling. leading global contender.

acquired in 1995, Pakhoed said it further profit growth of Pakhoed in would become the second-largest the future." Mr Westerdijk said. However, in the short term, the acquisi-Europe. It has a presence in France.
Italy, Spain, and Portugal.
The deal is to be financed by exist
tion will be accompanied by a reorganisation to include Univar's US operations. Other measures will The deal is to be financed by existing liquidity, bank credit lines, and a include a divestiture of Pakhoed's as restructuring at its Seaport Termi-

These measures will involve "We are laying a strong base for extraordinary expenses and have "a its from F192.7m to F1121.5m.

significant impact" on net profit this year. However, Pakhoed said the result from "ordinary operations" would remain roughly unchanged. Pakhoed said Univar's activities, to

be consolidated from July 1, would make an immediate contribution to its bottom line, despite the fact that Univar made only a small profit last year. It also plans to expand further in the east Asian oil and chemical transport markets.

In 1995, Pakhoed increased net prof-

NEWS DIGEST

Canadian Marconi surges in final term

Canadian Marconi, the defence electronics group moving into commercial products, posted fourth-quarter net profit of C\$6.6m (US\$4.6m), or 27 cents a share, up from C\$1.6m, or 7 cents, a year earlier, as a result of better margins and rising productivity. Revenues were C\$82m against C\$89m.
The company, 51 per cent held by GEC of the UK, almost

doubled earnings in the year from C\$4.7m, or 20 cents, to C\$9.1m. or 38 cents, on sales flat at C\$251m. Commercial business reached 46 per cent of sales, and the order backlog at March 31 was C\$150m against C\$206m a year earlier. Robert Gibbens, Montrea

DFR to warn on Inco bid close

Diamond Fields Resources will provide four days' advance warning of the planned closing date for Inco's C\$4.3bn (US\$3.14bn) takeover. The deal was to have closed on May 29, but this was delayed by a lawsuit filed by former Texas associates of Mr Jean Raymond Boule, DFR co-chairman, DFR shareholders will have four days to decide which option they wish to accept under the Inco bid.

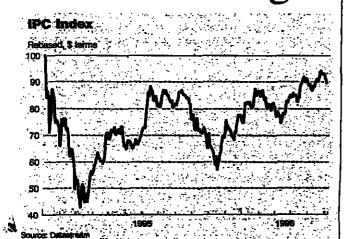
Private interest in Ontario Hydro

The crown-owned Ontario Hydro – one of Canada's two largest electric power utilities – confirmed it was negotiating possible private-sector investment in its nuclear generation system. Industry reports claim Morgan Stanley Canada has made an approach with an offer from private investors. Robert Gibbens

SB to buy Colombia drugs group SmithKline Beecham, the Anglo-US drugs group, is to acquire Italmex, a Colombian pharmaceuticals company with sales of \$19m, to bolster the Colombian OTC drugs business that it

acquired from Sterling Health in 1994. Italmex's main drug is paracetamol, accounting for 40 per cent of sales. Jenny Lucsby

Mexican search for maturity leads to Chicago



The bourse has launched offshore derivatives, reports Laurie Morse

exchange, the Bolsa Mexicana de Valores, helped launch offshore derivatives in its benchmark IPC equity index in Chicago last week. The move is expected to encourage greater international participation in the Mexican stock market

The rare co-operation between the BMV, the Chicago Mercantile Exchange and the Chicago Board Options Exchange is a precursor to Mexico opening its own domestic derivatives market this autumn. Although the Chicago contracts could provide stiff competition to the BMV's own derivatives, Mexican stock exchange executives say the benefits outweigh the risks.

"We have seen a major integration of our economies," says Mr Manuel Robleda, BMV chairman. "Not recognising the relevance of globalisation to our markets would be a mis-

take. The IPC index contracts launched in Chicago will provide international money managers with a facility to hedge or perform arbitrage trades using the Mexican share mar-ket and Chicago's corresponding dollar-based futures and options contracts.

Historically, the ability to limit risk from share holdings with exchange-traded derivatives has greatly increased liquidity and international participation in equity markets. The BMV has an automated order delivery system, similar to the New York Stock Exchange's Dot system, that. allows traders to buy all 35 stocks in the IPC index simultaneously to help arbitrage.

Mexican government regulations aimed at limiting systemic financial risk sidelined the BMV's own plans to trade IPC-based futures and options after the 1994 peso devaluation and currency crisis. However, those regulations are in the process of being relaxed, and Mr Robleda is confident the BMV will be able to open its derivatives market this

"All our technical systems are working perfectly," he says. "We are just awaiting some details from the government." The government recently asked for public comment on new derivatives rules and has now issued regulations that allow share borrowing and lending - a feature crucial for portfolio asset allocation.

Once the regulatory details

he Mexican stock are in place, the BMV plans to launch futures on the IPC index denominated in pesos, as well as futures on the Ceta, the three-month Mexican Treasury instrument, and a peso/US dollar futures contract. Mr Bernardo Gonzalez-Arechiga, the BMV's senior vice-president for derivatives, says the futures contracts would be traded in open outcry on the BMV's

floor, while options would fol-

low on an electronic system. The Chicago exchanges have promised to provide technical and educational support for the BMV's derivatives initiative. While the CME's peso and IPC futures contract may compete head-to-head with similar futures on the BMV, there are enough differences to offer some trading opportunities, says Mr Hernado Sabao, executives director for derivatives at Serfin, a Mexican investment company.

The launch of the Mexican equity derivatives coincides with revival in the country's stock market. Despite the economy's batter-ing after the peso's devalua-tion, foreign investment in Mexican equities has held rela-tively constant at about 27 per cent of market capitalisation, and has crept up to about 29 per cent in the past four months.

"What we find is that foreign investment didn't actually leave Mexico, or what did leave was replaced [after the currency crisis], at least in the equity sector," says Mr Gerado Flores Deuchler, the BMV's chief executive officer. Although the IPC index plunged 39 per cent after the devaluation, it had fully recovered by March 1995, and by May 22 this year it had reached a record 3,352.

The CME has already found there is significant global demand for Mexican risk management products. Its year-old US dollar/peso futures contract has open positions with a notional value close to \$1bn.
The BMV's Mr Gonzalez-Are-

chiga says the Chicago's futures contracts on pesos and the IPC index will actually provide a barometer for his exchange. Cross-market co-operation "is one of the things we are looking for", he says. "It will be a sign of market maturity for us if we can succeed with cross-margining and cross-hedging agreements between our derivatives and those in Chicago."

HP claims computing record | Nasdaq company faces suit

By Maggie Urry in New York

The US Securities and Exchange Commission has filed a lawsuit against Comparator Systems, alleging the company and three of its offi-cers broke securities laws. The company, involved in finger-print identification technology, has denied the charges. Trading in the company's

shares on Nasdaq was halted by the National Association of The software, which incorporates a Netscape browser, Securities Dealers on May 9 files more quickly.

HP's technical intranet softafter the share price leapt from a few cents to nearly \$2 ware would help engineers become more productive through faster data access, said Mr Mark Canepa, general manager of HP's workstation division in four days of remarkably heavy trading, and then fell

sharply.
The SEC's complaint alleges that Comparator, Mr Robert Rogers, its chairman, Mr Greg-

ory Armijo, a director, and Mr Scott Hitt, a former vice-president, overstated the company's assets so as to pass the Nas-daq's minimum size requirements to maintain its stock quotation and to enable it to sell shares to investors. The SEC alleged: "The defen-

investors while making material misrepresentations concerning the financial status of the company".

The NASD has already launched a review of its main-

tenance standards in the wake of the episode. At present, a company quoted on Nasdaq's SmallCap market must have assets of

DM 250,000,000

on this transaction

JPMorgan

Revolving Credit Facility

J.P. Morgan Securities Ltd. acted as arranger

Hannover Rückversicherungs AC

A group of investors who dants (including Comparator itself) sold tens of millions of bought shares after they rose sharply has already filed a lawsuit against the company. The group said last month it was reviewing the valuation of \$4.4m of assets.

market potential.

The SEC complaint also

alleges that the company stole a new generation of finger-print technology and told

investors it owned the technol-

ogy, which had substantial

Comparator went public in 1979 but is not profit-making. The SEC's complaint covers the accounts for the years ending June 1994, June 1995, and financial statements for the first three quarters of the

INA Financial Corporation

a subsidiary of

CIGNA Corporation

has completed a financial restructuring and recapitalization of its property and casualty operations

J.P. Morgan & Co. acted as financial advisor to NA Financial Corporation on the restructuring

JPMorgan

Aetna Life and Casualty Company

has agreed to merge with

competitive issue in the engi-

neering and scientific market.

where engineers seek the abil-

ity quickly to render complex graphic models for mechanical

and electrical design.

HP also unveiled intranet

software to enable engineers

linked to computer networks to

collaborate more efficiently.

allows engineers to find stored

U.S. Healthcare, Inc.

J.P. Morgan & Co. is acting as a financial advisor to Aetna Life and Casualty Company on this (IS\$8.9 billion transaction

JPMorgan

GE Global Insurance Holding Corporation

US\$600,000,000

7% Notes due 2026

J.P. Morgan & Co. acted as lead manager of this issue for a new holding company formed by GE Capital Services and Employers Reinsurance Corporation

JPMorgan

February 1996

The Manufacturers Life Insurance Company

has sold its UK life operations to

The Canada Life Assurance Company

Morgan Guaranty Trust Company of New York acted as financial advisor to The Manufacturers Life Insurance Company

JPMorgan

March 1995

Travelers/Aetna Property Casualty Corp.

J.P. Morgan Capital Corporation has made an equity investment of US\$200 million in this new property and casualty company.

JPMorgan

April 1996

UAP Holdings Limited

£370,000,000

Private Placement of Term Loan due 2000

J.P. Morgan Securities Ltd. acted as arranger of this transaction for the holding company of the UK and Irish operations of the UAP Group

JPMorgan

December 1995

Xerox Corporation

has agreed to sell

Talegen Holdings, Inc. The Resolution Group

Kohlberg Kravis Roberts & Co. and existing management

J.P. Morgan & Co. acted as a financial advisor to Xerax Corporation on this US\$2.7 billion transaction

JPMorgan

Advice and capital for the insurance industry

JPMorgan

These announcements are neither an offer to sell nor a solicitation of an offer to buy any of these securities and appear as a matter of record only.

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3410

1995

U.S. \$100,000,000

Guaranteed Floating Rate Notes due 2005 unconditionally and irrevocably guaranteed by The Kingdom of Denmark

For the six month Interest Period 3rd June, 1996 to 2nd December, 1996 the Notes will carry a Rate of Interest of 5.325 per cent. per annum, with Coupon Amounts of U.S. \$13+.60 and U.S. \$2,692.08 per U.S. \$5,000 and U.S. \$100,000 Notes respectively. The relevant Interest Payment Date will be 2nd December, 1996.

Company, London

Agent Bank

CITICORP MORTGAGE SECURITIES, INC.

U.S. \$57,057,000

(Initial Stated Amount of Class A-I Citicertificates) REMIC Pass-Through Certificates, Series 1987-13

For the period 1st June, 1996 to 1st September, 1996 the Class A-1 Cincertificate will carry an interest rate of 6.25% per annum with an Interest Amount of U.S. \$0.36 per U.S. \$1,000 (the Initial Seated Amount of an individual Citicertificate) psyable on lar September, 1996. The Stated Amount of the Citicertificates custanding will be \$5.2625995% of the Initial Stated Amount of the Citicentificates, or U.S. \$55.26 per individual Citicentificate und

Agent Bank

SOCIETE GENERALE USD 500.000.000 UNDATED SUBORDINATED FLOATING RATE NOTES

For the period May 31, 1996 to November 29, 1996 the new rate has been fixed at $5,66875\,\%$ P.A. Next payment date : November 29, 1996 Coupon nr : 20

286,59 for the denomination of USD 2865,87 for the denomination of USD The Principal Paying Agent SOCIETE GENERALE BANK & TRUST - LUXEMBOURG

BRADFORD &BINGLEY £15,000,000 Series 17 Floating rate notes due May 2000 Notice is hereby given that the notes will bear interest at 6,19% per annum from 31 May 1996 to 30 August 1996. Interest payable on 30 August 1996 will amount to \$1,539.04 per \$100,000 nate. Agent: Morgan Guaranty Trust Company **JPMorgan**

WOOLWICH **Building Society -**\$40,000,000 Series 47 floating rate notes due May 2000

Notice is hereby given that the notes will bear interest at 6.185% per annum from 31 May 1996 to 30 August 1996. Interest payable on 30 August 1996 will amount to \$1,537.80 per \$100,000 note.

Agent: Morgan Guaranty Trust Company

ar or on participation

JPMorgan

COMPANIES AND FINANCE: UK

Facia's shoe shops go into administration

John Mason and Christopher Brown-Hume

Shoe shops belonging to the Facia Group were yesterday put into administration after accountants KPMG withdrew a High Court challenge to have them placed into receivership along with other parts of the

After lengthy out-of-court negotiations, KPMG and United Mizrahi Bank, which has lent £7m (\$11m) to Facia, agreed to drop their challenge to three Facia shoe subsidiaries being put into administration.

Lawyers for Sears, which etitioned for an administrator to be appointed to the shoe shops it sold to Facia said that Mr Stephen Hinchliffe, chairman of Facia, had not opposed

KPMG's decision to back down means that approximately 380 shoe outlets, including Freeman Hardy Willis, Trueform and Curtess will now be managed by Price Water-house, appointed as adminis-

On Saturday, United Mizrahi Bank called in EMPG as receivers to the Facia Group and approximately 500 of its speciality outlets - including Contessa, Oakland and Torq after deciding to call in its £7m

trators

Grant Thornton, receivers to Salisburys, another part of the Facia Group, said that together with KMPG more than 30 "expressions of interest" had been received from potential purchasers for different parts of the Facia Group.

Separately, Mr Hinchliffe said in an interview with the Financial Times that he was

negotiating with several US investors in an attempt to regain control of the Facia businesses in receivership by paying off United Mizrahi

Mr Hinchliffe claimed that Facia had been witholding pay-ments to Sears because it had provided "insufficient stock and insufficient services". Sears denies this.

At the weekend KPMG said Facia had debts of about £30m on annualised sales of £250m and had lost £9m in the past 16 weeks. However Mr Hinchliffe said Facia's debts were no more than £7.5m and recent losses were due to it having been "the worst three months of trading year".

Mr Hinchliffe said that he was providing "full co-operation" to KPMG who yesterday gained access to Facia's head

Sears' investors unhappy

RESULTS

Claveland Trust .

iont Parts

Investment Trusts

MCIT MCIT S ..

Liam Strong, the chief executive of Sears, is facing increasing criticism from disgruntled shareholders after Facia Group, the buyer of its unwanted shoe shops, went into receivership.

Fund managers at one leading Scottish investment institution said yesterday they were prepared to lead calls for his resignation this year unless he implemented a satis-Dissatisfaction with the

..... Yr to Mar 31 mths to Mar 31

_ Yr to Mar 31

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6 miths to Mar 31

6 miths to Mar 31

.... Yr to Mar 31

Yr to Mar 31

ened after the company lifted provisions in respect of the disposals to £74m. An extra £25m of provisions were needed after the collapse of Facia because it emerged that Sears had retained freeholds or leases of many of the shops, and owned much of the stock.

The Scottish institutional shareholder said yesterday: "If he doesn't turn things round in the next couple of months he is going to be out on his ear." He added: "He is not performing. The market and the

(90.5) (2.22) (47.2) (89) (16) (60) (82.8)

(15.1) (95.9) (131.2)

NAY (c)

377.5

10.5 1.62 1.28 11.1 3.7 15.8 12 6.26 2.08 8.08

(3.51) (0.77) (3.44) (8.03) (2.6) (14.3) (11.5**V**) (4.37) (10) (12.7**V**)

3.67 (2.54) 2.69 (0.289)

shareholders are running out of patience."

Some shareholders are sympathetic to the company's difficulties. "They were faced with a choice of closure costs or a potential sale that resulted in a lower charge. The net results appear to be pretty similar," said the head of one English institution. Analysts are less charitable.

"Over the last few years Strong's and Sears' credibility have gradually eroded," said one. "We are entering the endgame of the current strategy."

2.6 3.35 6† 3.7 4 54 0.95 1.5

Barclays to merge private banking

By Motoko Rich

Barclays Bank has applied for a separate banking licence for its London-based private banking businesses in an effort to offer an integrated asset management service to wealthy cli-

It will unite under one legal umbrella its four London-based private banking operations. which manage £2.8bn of funds. The banking licence will allow the four businesses to operate as a separate entity which can provide independent advice - as opposed to "tied advice" which would only allow the businesses to recom-

mend Barclays products.

The move highlights strong growth in the market for managing the assets of "high net worth" individuals.

According to Lloyds' Private Bank, a rival, the market is expanding at an annual rate of about 6 per cent. Last year, assets placed in Barclays' Lon-don-based businesses grew 28 per cent. It said about half the assets managed in London were from domestic clients.

The new UK subsidiary will provide investment manage-ment services, trust and fiduciary management, as well as traditional banking services such as current accounts. Its average client puts film of funds under management.

Barclays' UK private banking services includes BZW Portfolio Management and Bar-clays Private Trust.

3.8 5.8

Total for

49 0.75

LEX COMMENT Yorks Water

If this is the "punishment" for its failures during last Yorkshire Water summer's drought, York-shire Water has been let off Share price relative to the FT-SE-A Water sector index lightly. Despite the water 120 -regulator's harsh words, there is no rebate for Yorkshire's customers, merely a commitment by the utility to raise next year's prices by

less than previously agreed. This will cost Yorkshire just £40m in lost income, spread over three years, at a time when it will be making annual profits of over £300m. Nor should it prove too difficult to make up a chunk of

that lost revenue by squeez-ing out further efficiencies from the core business: the compa ny's cost base is still about £400m. Of course Yorkshire need not have given away anything at

all. Since it was not in breach of its licence conditions the water regulator had no legal powers to force it to give up revenue before the next periodic review in 1999. But with the company in such bad odour with the public, its new manage ment has been falling over itself to accept blame and make amends. Apart from the £40m price reductions, the group has now promised a total of £220m of additional investment to improve supplies and reduce leaks.

Shareholders may ask what they are getting out of all this. One answer is that, if Yorkshire has cleared the air vis-a-vis the regulator, it should be able to revive its plans for a share repurchase. The group's balance sheet is under-utilised and it could buy back at least 20 per cent of its shares (for about £300m) without seriously stretching its finances. If it does not. a predator will surely do the job for it.

David Lloyd asked to clarify his role

By Roderick Oram, Consumer Industries Editor

Whitbread wrote yesterday to Mr David Lloyd asking the former tennis player to clarify whether he wished to remain involved with the tennis and health club business he sold to Whithread last year for £200m

The letter from Mr Peter Jarvis, Whitbread's chief executive, followed weekend reports that Mr Lloyd was considering resigning because he was denied a management role in David Lloyd Leisure since it became a division of the brewing and leisure group.

He is chairman of the divi-

sion on a salary of £240,000 a

year but management control Whitbread team led by Mr Steve Philpott, managing direc(1)

"He's important as a figurehead to wheel out for events and we want him to stay but if he goes it won't make much difference to running the business," Whitbread said.

Mr Lloyd had been expected to make a statement yesterday

but did not, "David is seeking to clarify his management postion but he's not trying to wrest back management control," a spokesman for him said yesterday.

Mr Lloyd believed he still had a leading role to play in the company.

Ì

Sharp rise in results in first quarter for Fortis

Sept 5 July 31 Aug 6 Aug 12

Fortis is an international financial group. It is active in the field of insurance, banking and investment in Western Europe, the United States and Australia through more than 100 Fortis companies. Fortis has over 30,000 employees.

.

It is possible to invest in Fortis through the shares and depositary receipts for shares in its two parent companies, Fortis AG and Fortis AMEV, each of which owns 50% of Fortis.

Fortis AG is listed on the exchanges of Brussels, Antwerp, London and Luxembourg. Fortis AMEV is listed on the exchanges of Amsterdam, London and Luxembourg and has a sponsored ADR program in the United States.

Fortis' results in the first quarter of 1996 rose extraordinarily sharply compared with the first quarter of 1995. Net profit rose by 29%, while the operating result increased by 25%. This growth is attributable in particular to its banking operations. The results of its insurance activities in the Benelux and Spain also developed well. Total income increased by 9% to ECU 4.8 billion; the autonomous rise amounted to 4%. Movements in exchange rates on balance had a slightly positive impact on Fortis' results.

by 23% and 22% respectively.

The earnings per share of Fortis AG and Fortis AMEV rose

ev floures Fortis AG and Fortis AMEV

Total last

| · | | | | . 2012-1 | | |
|------------------------|--------------------------|--------------------------|------------------|--------------------------|--------------------------|------------------|
| | F | orus AG (in BE | F) | For | rtis AMEV (in N | LG) |
| | First quarter 1996 | First quarter 1995 | Increase in % | First quarter 1996 | First quarter 1995 | Increase in % |
| Net earnings per share | 74 | 60 | 23 | 2.36 | 1.94 | 22 |
| Equity per share | 2,460 | 2,249 *) | 9 | 85.71 | 79.74 *) | 7 |

9) Year-end 1995.

30.3† 6.8† 1.91 10 12.56† 194 2.38 5.9†

24.43 4,13

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. After exceptional charge. VAfter exceptional credit. †On increased capital. Comparatives

(6.1) (7.4) (7.4) (9.52) (173) (2.21) (3.9) (10.8) (24.2)

Key figures Fortis

| (in ECU million) | First quarter | First quarter | Increase |
|------------------|------------------|---------------|----------|
| | 19 96 | 1995 | in % |
| Total income | 4,842 | 4,449 | . 9 |
| Operating result | 243 | 195 | 25 |
| Net profit | 157 | 122 | . 29 |
| Net equity | 5,056 | 4,776 *) | . 6 |
| Total assets | 127,771 | 125,486 *) | 2 |

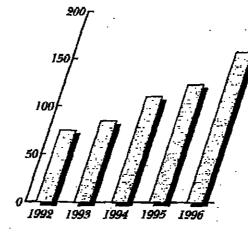
*) Year-end 1995.

Prospects

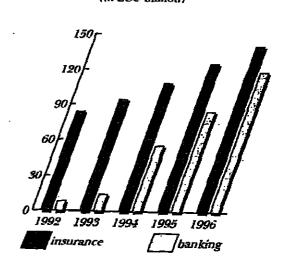
The high percentage increases were caused in part by the fact that the results of the first quarter of 1995 were comparatively very low, especially in the banking sector, and the capital gains realized in the insurance sector. These exceptionally high percentage increases can therefore not be expected in the quarters to come. Consequently, Fortis is maintaining the forecast it made earlier: barring unforeseen circumstances and sharp fluctuations in exchange and interest rates, it is expecting net profit for 1996 to be clearly higher.

The two parent companies are also standing by their forecast: for 1996 they are once again expecting higher earnings per share.

Net profit Fortis first quarter 1992 - 1996 (in ECU million)



Operating result Fortis first quarter 1992 - 1996 (in ECU million)



Information

If you wish to receive a copy of the annual report of Fortis and its parent companies, please contact Group Communication at:

Fortis Boulevard Emile Jacqunain 53 1000 Brussels Belgium Tel.: 32 (0)2 226 93 49

Fax: 32 (0)2 220 80 92

Fortis Archimedeslaan 6 3584 BA Utrecht The Netherlands Tel.: 31 (0)30 257 65 48 Fax: 31 (0)30 257 78 38

The appointment of Mr Bill arm before moving to be deputy chief executive in 1994. was preferable. He is an unlikely merchant banker in European investment banking American "big hitter" BZW this year, writes John Gapper. It settles the succession at the top of one of the key British firms contending to take a place with the US big league as leaders in global investment

* The State of the

Astrables Mater

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The appointment is a surprise in two ways. First, Bar-clays has overlooked the obvious claim of Mr Donald Brydon, who was a successful ead of its fund management Second, Mr Harrison is not the might have recruited. Mr Harrison's task is a sub-

stantial one. As to why Barclays had not recruited a star from a big US firm such as Goldman Sachs, Mr Martin Taylor, chief executive of Barclays, insisted that the bank would have been prepared to pay the going rate. In some cases, this is up to \$10m per year. But it thought the "cultural fit" with Mr Harrison

some ways. He was educated at the London School of Economics rather than an Oxbridge college, and he still has a Birmingham accent. He is a bustling, energetic man who lacks the disdainful arrogance of many stars of the investment

banking industry. But former colleagues at Flemings say his management abilities are not so great as his dealmaking capacity. He has relied on others to tackle

A second question is the depth of Mr Harrison's experience outside corporate finance Although capital markets - the part of an investment bank that distributes primary share offerings - was his responsibility at Flemings, he has little experience of secondary equity markets, or of bond

Mr Harrison's immediate task is to reassure those such as Mr Graham Pimlott, BZW's head of merchant banking, who could have doubts about

NEWS DIGEST

Tesco service to challenge banks

Tesco is to take on the high street banks by offering shoppers much higher interest rates than they can get on their normal current accounts.

The UK supermarket group said yesterday it was extending its successful Clubcard loyalty card scheme, which has 8.5m

users, by adding debit and interest payment facilities.

Clubcard Plus will offer 5 per cent gross annual interest on deposits – as much as 20 times higher than rates offered by the leading high street banks. National Westminster Bank, which is administering the Tesco scheme, pays just 0.25 per cent gross interest on its interest bearing current account Tesco's terms are also better than some building societies'. Several other UK retailers, notably Marks and Spencer, offer financial services, as do other continental groups, including the French retailer Carrefour and Ahold of the Netherlands.

Emap disposal for £200m

Emap, the media and exhibitions group, will today announce the sale of its regional newspaper business to Johnston Press, the Edinburgh-based newspaper company, for about £200m (\$304m).

The sale, which will coincide with Emap's annual results. will more than double Johnston Press's share of the UK regional newspaper market to more than 6 per cent, making it the fifth largest publisher in its sector.

It will also alleviate pressure on Emap's balance sheet following a recent acquisitions spree, and raise speculation over its next likely target area.

Emap, which has interests in business and consumer magazines, radio and exhibitions in the UK, has been keen to replicate its success on the Continent. It already holds 15 per cent of the French consumer magazine market following the £142m purchase in March of three titles. It is also known to be keen to enter the US business magazine market. The purchase is the biggest deal so far for the fast expand-

Christopher Price and James Buxton

Therapeutic Antibodies to float

Biotechnology company Therapeutic Antibodies (TAb), which specialises in poison antidotes, yesterday announced plans to seek a London stock exchange listing through a £30m (\$45.6m) institutional placement, valuing the company at £150m.

TAb is a low-tech biotechnology company, which has refined the traditional way of developing antibodies for snake bites and other types of poisoning.

It has already raised \$45m through private placements in the US, and has production sites in Wales, and Australia.

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For information Contact: Dorothea Thompson, MeesPierson Fund Service Ltd 404 East Bay Street, Nassau, Bahamas

Britannia

\$25,000,000 Floating rate notes

due May 2000 For the period 31 May 1996 to

30 August 1996 the notes will bear interest at 6.225% per annum, interest payable on the relevant interest payment date 30 August 1996 will amount to £1,547.75 per £100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan



3i International B.V.

\$150,000,000 Guaranteed floating rate notes 1999

The notes will bear interest at 6.3125% per annum for the interest period 31 May 1996 to 30 August 1996, Interest payable on 30 August 1596 will amount to \$156.95 per \$10,000 note and

\$1,569.50 per \$100,000 note. Agent: Morgan Guaranty Trust Company

JPMorgan

Casinos restrain Stakis to 13% rise

Scottish Correspondent

Strong growth in Stakis' hotels division was partly offset by a drop in operating profits at its casinos, leaving the interim pre-tax figure 13 per cent ahead before excep-tionals.

Excluding the flattering effect on the comparison of last year's £900,000 excep-tional gain on the sale of Ashbourne Homes, pre-tax profits for the half year to March 31 were 4 per cent ahead at £12m (\$18.24m) against £11.5m.

Mr Jim McCarvill, managing director of the casino division, left the company last week. A new managing director is to be appointed in the next two months and will join the

Operating profit in the hotels division, which is larger than the casino operation, rose 31 per cent to £17m (£13m).

The division increased the average room rate by 6 per cent to £45.59 and pushed its occupancy rate up by six points to 70.8 per cent. The casino division reported

a drop in operating profit of £1.4m, from £8.4m to £5m. Although the cash drop – the amount exchanged for chips increased by £5.2m and the gaming win percentage rose from 18.3 per cent to 18.5 per cent this was not sufficient to meet increased costs, resulting from the acquisition of a casino in Bournemouth and

anning additional tables. Mr David Michels, chief executive, said the casinos had performed badly because of a combination of the effect on gambling habits of the National Lottery, the hot weather, guest fees (which were later withdrawn) and lack of promotion. But the performance had improved in the first three months of 1996, and attendance in the current quarter was better. More attention was being given to promotion; and "people are getting a little bored with scratchcards and the lottery," Mr Michels said.

Stakis vesterday estimated its expected tax rates for the next four years, responding to concern in the City that rising tax charges could impair its earnings growth.

Azlan leaps to £10.5m

By Paul Taylor

Strong demand for advanced computer networking products was underlined yesterday as Azlan announced a near trebl-Azian amounteen a near freeling of annual pre-tax profits.

Azian also extended its geographic reach across Europe.

Pre-tax profits jumped from \$3.8m to \$10.5m (\$16m) for the year to \$10.5m (\$16m) in the year to March 31, while turn-

over rose to £196.5m (£90.5m). The strong profits growth and positive outlook helped lift Azlan's share price - which was less than 180p a share a year ago - by a further 26p to 665p.
The results, which continued

to outpace market growth, highlight the success of Azlan's strategy of concentrating on distributing a limited range of higher-margin networking products from leading manufacturers to resellers. Companies are becoming

more reliant on computer networks, which in turn are becoming more complex hence the growing demand not only for the products Azlan sup-

and enhanced market coverage across Europe". In continental Europe, sales

"improved operating margins

Adrian Lamb, finance director (left) and Christian Martin other services. Mr Christian Martin, who took over as chief executive following a management reorganisation 20 months

£115.2m, as a result of organic growth, start-ups and acquisi-The Continent accounted for ago, said the group had also almost 60 per cent of group

> cent in 1995. It now has a presence in about 90 per cent of the Euro-

turnover compared with 40 per

Unigate raises \$65m by selling **US** restaurants

By Roderick Oram, Consumer Industries Editor

Unigate, the food processor sold half its US restaurant businesses for \$65m three years after abandoning their US float after the restaurants ran into trading difficulties.

March 31, which it will report on Monday. Of the total, 238.2m is goodwill previously written off. One analyst esti-

DenAmerica is paying \$50m cash for the Black-eye Pea restaurants, with the balance covered by a note due for repayment by next March 31. Most of the 100 companyowned, full-service, casual restaurants are in Texas, Georgia,

Oklahoma and Washington DC. A further 30 are franchised. They made an operating profit of \$4.7m in the year to March and had net asset value of \$92.3m, excluding goodwill. They've been struggling to

find a buyer for more than a year," one analyst said. Unigate is still looking for a buyer for its other US restaurants - 110 Taco Bueno fast

food outlets and five Casa Bon-ita/Crystals restaurants. Unigate said it would take a £59.5m provision for the loss and distribution group, has on its sale of the two US chains in its accounts for the year to mated net assets of the two was about £140m,

In the spring of 1993, Unigate's US advisers were trying to float the two chains together to raise between \$220m-\$250m.

Black-eye Pea and Taco Bueno made operating profits of £13.3m in the 1991-92 finan-cial year. After the float was aborted, Unigate continued to refurbishment programme.

Selling Taco Bueno would end a string of disposals by Mr Ross Buckland, Unigate's chief executive. He has focused the group mainly on chilled dairy foods and some meats, areas where the company is seeking

Taking stock of this year's investor relations success stories

1996 UK Investor Relations Magazine Awards in association with the FINANCIAL TIMES

Wednesday 26 June 1996, The London Hilton on Park Lane

Investor Relations magazine has commissioned an independent in-depth survey of fund managers and analysts to rank this year's top performing investor relations departments across a wide array of key IR disciplines.

The results of this research are not revealed until the night of the awards presentation. Winners are called up on stage to receive awards and congratulations from their fellow IR professionals and advisers during a black-tie dinner at one of London's most prestigious venues.

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The Bank of New York, The Manifest Voting Agency, The Royal Bank of Scotland

New Zealand

Notice of Offer to Purchase for Cash £100,000,000 111/4 per cent. Loan Stock 2008 ('2008 Stock') (£97,500,000 outstanding)

£100,000,000 111/2 per cent. Loan Stock 2014 ('2014 Stock') Barclays de Zoete Wedd Limited hereby offers to purchase on behalf of Her Majesty the Queen in right of New Zealand ('New Zealand') any or all of the outstanding 2008 Stock and any or all of the outstanding 2014 Stock (together with all unmatured coupons appertaining thereto where appropriate) together with an amount in respect of accrued interest from, and including, the last interest payment date in respect of the relevant Stock to, but excluding, the date of such purchase at a price, rounded to the nearest third decimal place (with 0.0005)

being rounded upwards) at which the 2008 Stock yields a margin of 0.15 per cent. over the yield on the Treasury 9 per cent. Stock 2008 and the 2014 Stock yields a margin of 0.15 per cent. over the yield on the Treasury 9 per cent. Stock 2012 as calculated by Barclays de Zoete Wedd Limited at 11:00 hours (London time) for each day the offer is open, by reference to the mean of the bid and offered prices (for settlement on the next London business day) of the relevant gilt as quoted by BZW Gilts Limited. Such price will be applicable for all Stock of the relevant issue in respect of which acceptance is given to Barclays de Zoete Wedd Limited after 11:00 hours (London time) on the previous business day to 11:00 hours (London time) on the day of each price fixing. All yields will be calculated by Barclays de Zoete Wedd Limited on a semi-annual gross redemption yield basis. The offer is open from 11:00 hours (London time) on 3rd June, 1996 to 11:00 hours (London time) on 14th June, 1996 or such other period (the 'Offer Period') as may be notified by Barclays de Zoete Wedd Limited. Stock bought in registered form will be for settlement via the Central Gilts Office and Stock bought in bearer form will be for settlement through Cedel Bank, société anonyme or the Euroclear system in accordance with their respective settlement procedures.

Stock so purchased on behalf of New Zealand will be cancelled.

In compliance with the Listing Rules of the London Stock Exchange Limited, additional announcements of the principal amount of the 2008 Stock and the 2014 Stock purchased pursuant to this offer will be issued in accordance with the Stock Exchange Rules.

Acceptance of this offer may be made to Barclays de Zoete Wedd Limited by telephone during the Offer Period. Enquiries and offers should be directed to: Barclays de Zoete Wedd Limited

Debt Syndicate Telephone: 0171 626 8875 Fax: 0171 956 4591 The Offer will expire at 11:00 am, London time, on Friday, 14th June, 1996,

unless extended. 3rd June, 1996

Ina.40. 4495 - 1686



A ban by the UK government on me live export of sheep to Spain could give rise to a right to damages for ·individual exporters harmed by the decision, the European Court of

Justice has ruled. The ban had been imposed on the grounds that Spanish slaughterhouses were failing to comply with a 1974 European directive on the stunning of animals before slaughter.

In spite of the fact that Spain had adopted the relevant legislation, the UK government was slaughterhouses were not acting in compliance with the European rules and that there was, therefore, a substantial risk that animals exported to Spain would suffer treatment outlawed under European law. The European Commission

investigated and came to the conclusion that the UK action was unlawful. Following that decision, the ban was lifted. However, prior to its lifting. one sheep exporter. Hedley Lomas, was refused a licence to export its sheep to Spain by the UK Ministry of Agriculture. Fisheries and Food.

The application was refused even though the sheep were destined for a slaughterhouse which had been approved according to European rules since 1986, the rules were being complied with, and the UK authorities had no evidence to

the contrary. Hedley Lomas challenged the ministry's refusal of a licence in the English High Court. It sought a declaration that the refusal contravened European law and, in addition, damages. The High Court then referred

the case to Luxembourg. The European Court found first that the refusal to grant an export licence breached European provisions on the free movement of goods. Although Treaty of Rome provisions allowed for the maintenance of restrictions on the free movement of goods for the protection of animal health, this exception could not be relied on where European legislation already existed in the particular area in question.

The European Court reiternot unilaterally adopt measures designed to obviate a breach of European law by another member state.

The court then turned to the issue of damages. It had recently laid down the rules for the availability of damages in the case of breaches of Euroan law by member states in the Factoriame case. This involved the payment of damages by the UK government to Spanish fishermen banned from British waters in 1989.

The court said the rules laid down in Factortame applied to the present case. Thus it was ssary to demonstrate, first. that the rule of law infringed was intended to confer rights on individuals; second, that the breach was sufficiently serious; and, third, that there was a direct causal link between the breach of the member state's obligation and the damage sustained by the injured parties.

The European Court found that the provision of the Treaty of Rome which had been breached by the UK was of direct effect and, therefore, the first criterion was fulfilled On the second condition, it said where, at the time of the breach, the member state in question was not called on to

make any legislative choices and had only a reduced - or no - discretion, the mere infringement of European law could be sufficient to establish the existence of a sufficiently serious The court said the third con-

dition should be determined by the national court. If the national court determined that there was a relevant causal link, then the state would have to make reparation in accordance with its domestic law. However, the conditions for reparation in such circumstances could not be less favourable than those relating to similar domestic claims and could not be such as to make it

C-5/94: R v Ministry of Agriculture, Fisheries and Food, ex parte Hedley Lomas (Ireland) Ltd, ECJ FC, May 13 1996.

impossible or excessively diffi-

cult to obtain damages.

BRICK COURT CHAMBERS

of directors, including Brig

Nasution as president, along

Welly, Harry Supangkat and

commissionaire is Bambana

ministry's director general of

■ Jeffrey Hughes, a founding

partner of The Cypress Group.

and Eliot Fried, a managing

director of Lehman Brothers,

have resigned from the board of LEAR CORP.

president with BELLSOUTH

Corporation in the US, has

been appointed managing director of BellSouth New

Zealand. He replaces Keith

Davis, who resigned in April.

■ Paul Chan has been named

vice president and managing

Asia/Pacific.

director of COMPAQ Computer

■ SINGAPORE AIRLINES has

appointed Edmund Cheng Wai

Singapore Tourist Promotion

Press Holdings and Lim Chee

Onn, deputy chairman and

■ Douglas Harris, senior

managing director of Straits

Steamship Land, to the board.

deputy comptroller for capital markets, is leaving the US

Office of the Comptroller of the

Board, Tjong Yik Min, executive director of Singapore

Wing, chairman of the

■ Larry Carter, marketing vice

with Dadad Kustiwa, John

Gen (rtd) Asman Akhir

Andi Siswaka Faisal as

directors. The new chief

Subjanto, the finance

financial institutions

discs to a successful agreement. He is taking on the job of steering Toshiba at a difficult time. Uncertainty in the semiconductor business Toshiba, the integrated electronics maker, has chosen Taizo Nishimuro, currently executive vice president, as its next president. The appointment, which marks a break with Toshiba's which has provided the company with strong profits in recent years, is

matched by fierce competition in the emerging multimedia industry. Michigo Nakamata

Greenberg junior rises Evan Greenberg has been elected to the board of AIG, the New York-based insurer, prompting speculation that he is being groomed to succeed his 70-year-old father, Maurice 'Hank' Greenberg, one of the most famous names in insurance.

The succession question at AIG has been a prickly subject, particularly since Greenberg's older son, Jeffrey, unexpectedly resigned last year and subsequent re-emerged at Marsh & McLennan, the broking group where he began his insurance career in 1976. Marsh & McLennan announced last month that Jeffrey Greenberg had been elected to its board.

Hank Greenberg, who has been the helm of the highly profitable AIG group for 30 years, has said repeatedly that he has no plans to retire. He is only the second chief executive of AIG, which was founded in Shanghai

in 1919. Yesterday AIG said there were plans at hand for an choosing an eventual successor, but that details would not be disclosed.

Evan Greenberg, 41, has worked for 21 years at AIG and currently heads American International Underwriters. AIG's foreign general business which includes operations in Japan, Russia, the Middle East and Latin America. He previously served for three years as chief operating officer and then chief executive of AIG companies in Japan and Korea. Ralph Atkins

Enskilda appointment Jacob Wallenberg, the chief operating officer of Enskilda, the merchant banking arm of Sweden's Skandinaviska Enskilda Banken and scion of the powerful Wallenberg family which is the bank's biggest share-

holder, has plucked Pippa Mitchell from the ranks to be his assistant. Mitchell, a highly experienced banker in syndicated loans and money-market products, joined Enskilda 2½ years ago after a career at Chase Manhattan and Merrill Lynch. Her brief as Wallenberg's assistant will be to emphasise the international nature of the group and to bring product knowledge to the bank's top manage-

Mitchell, who started out in banking in 1977, will be based in London and Stockholm. Her position in Enskilda's debt capital markets team will be taken by Fiona Hagdrup, who will assume coverage of Enskilda's Swedish corporate client base for syndicated loans, Antonia Sharpe

Eurotunnel board move

Charles Petruccelli, chairman of American Express Travel Services International, has been appointed a non-executive director of Eurotunnel. He replaces Bernard Thiolon, honorary chief executive of Credit Lyonnais, the French bank, who has been on the board of the Channel tunnel operator for ten years.

Thiolon's presence on the board had been the subject of criticism from some shareholders, who argued that his links with Credit Lyonnais led to a conflict of interest, Credit Lyonnais is one of the largest lenders to the Anglo-French company and is a mem-ber of the six-bank steering group which is organising the crucial refinancing negotiations between Eurotunnel and its 225 banks.

Petruccelli, 45, who has been with American Express for 20 years, runs all its travel and business card businesses outside the UK. Geoff Duer

Reinshagen's rise



Christie's Europe has appointed three vice-chairmen, one of whom is the first woman to hold the posttion. Maria Reinshagen (left), also deputy chairman

office, is described as "one of our most effective business-getters" by Christopher Balfour, chairman. Also appointed as vice-chairmen are François Curiel, international head of Christie's jewellery department, and John Lumley, international head of the 19th and 20th century picture

departments. Reinshagen started out as a primary school teacher in Zurich, but moved to the US in 1962 and worked in galleries there and in Switzerland before joining Christie's in 1978 to open the Zurich office. She became a member of Christie's European board in 1985, and the London board in 1990.

Reinshagen was also the first woman appointed to the board of Union Bank of Switzerland in 1994, with Anne-Lise Monnier. Clare

ON THE MOVE

Alfredo Moroni, previously chairman of Italgas, has been elected chairman of AGIP PETROLL.

Toshiba looks

to the future

tradition of choosing its head from

those with experience in heavy elec-

trical equipment, underlines the

growing importance the company attaches to businesses such as semi-

conductors, consumer electronics and

Not only does Nishimuro have no

experience of the heavy electrical

business that has been the core of

Toshiba's wide-ranging operations,

but he has leapt over nine more

A graduate of the elite economics

department of Keio University, Nishi-

muro, 60, is a fluent speaker of

English who spent a good part of his career building up Toshiba's operations in the US, where he is

credited with returning three shaky US companies to the black.

His cosmopolitan background and

warm manner are also credited with

bringing the often tense negotiations

over the standard for digital video

senior executives who were consid-

ered likely candidates for the job.

PCs which are Nishimuro's forte.

Australia's former Liberal Party leader, John Hewson, is to head a new fund management business being set up by Churchill Resources. Hewson, who is also chairman of ABN Amro Australia, will be executive chairman of Gold and Resources investments Ltd, which will initially focus

on gold and resource Stefano Borghi, chief executive of the Italian subsidiary of Cable & Wireless has been named chief executive of NOKIA Telecommunications Italia, the Italian subsidiary of the Finnish mobile phones grout He will be replaced at C&W by Massimo Biondi. Rudolf Rupprecht, formerly

chairman of MAN Nutzfahrzeuge, will replace Klaus Goette as chairman of MAN, the German truck and printing machine manufacturer, after the shareholders' meeting on December 10. Goette will join the supervisory board, replacing Helmut Perlet. ■ Yvan Allaire has been appointed executive

vice-president, strategy and corporate affairs, at the aerospace and transport group BOMBARDIER; he has been counsellor to the chairman and chief executive of the the group since 1985.

■ STANDARD CHARTERED BANK Australia has named l'homas Dunton as its new chief executive and managing director, to replace Chris Harrison, who has retired. Dunton moves from Standard Chartered Hong Kong, where he was head of corporate Alan Yamashita has been

named head of the MERRILL LYNCH debt capital markets group in Asia, with responsibility for debt origination and derivative products in the region. Grant Thomas has resigned as executive chairman of MALBAK, the South African consumer group, after "differences of opinion with the board which could not be reconciled". David Brink, managing director of Sankorp, is being appointed to the

Malbak board and takes over as non-executive chairman on July 1. Peter Beningfield becomes acting chief executive and will continue as chief executive of South African Druggists. ■ PT TELEKOMUNIKASI INDONESIA has a new board

■ Stanley Crooke, co-founder, chairman and CEO of Isis Pharmaceuticals, has been appointed as chairman of GENEMEDICINE, a company engaged in the discovery and development of "gene

medicines". Patrick FitzPatrick has been named vice president and chief financial officer of American Mobile Satellite Corporation (AMSC). He was previously senior vice president and chief financial officer at PRC, a subsidiary of Black & Decker. Kenneth Davis has been appointed chairman o ALEXANDER & ALEXANDER the US risk management, consulting and retall insurance broking subsidiary of Alexander & Alexander

Services. Cynthia Liu, director of JARDINE FLEMING'S investment services, is leaving the company. ■ Antonio Eurique Savignac, former Mexican tourism minister, is stepping down as secretary-general of the Madrid-based WORLD TOURISM ORGANISATION. He is succeeded by his French deputy, Francesco Frangialli. ■ James Chambers, senior vice president, sales & customer service at Nabisco Biscuit

Company, has been appointed

president of NABISCO

REFRIGERATED FOODS. formerly Fleischmann's Co. The move is a job swap with Kenneth Romanzi, who had been president at Nabisco Refrigerated Foods since 1993. 🖿 Arrigo Bianchi di Lavagna, managing director of Italian insurance company FONDIARIA, has resigned. ■ Vittorio Mincato, vice chairman of Italian chemical group ENICHEM, part of ENI, rises to chairman. Current chairman Marcello Colitte is to

become honorary chairman. ■ Hwang Peng Yuan has retired as chairman of Singapore trading company INTRACO. Ang Kong Hua, deputy chairman, succeeds ■ Mark Weisdorf becomes executive vice president and managing director of

investment banking, at HSBC JAMES CAPEL CANADA. He was formerly a managing director of CIBC Wood Gundy. ■ Matsuo Fukuzawa, senior managing director, and Kiyoshi Kawabata, deputy chairman, are retiring from their directorships of the Sanwa bank. Leonard Pomata, 50, has Industries' subsidiary, PRC. He replaces William Hoover, who is leaving the company. Dennis Goggin has been

appointed as president of VISA

INTERNATIONAL'S Asia-Pacific region and a member of its managament executive committee. Robert Ross, president of TURNER INTERNATIONAL, a Systems has resigned. ■ Masaaki Tsuchida, deouty governor of Japan's government-affiliated PEOPLE'S FINANCE CORP. is to resign, and is expected to leave his post on 10 June 1996. He is a former director-general of the Finance Ministry's Banking Bureau. ■ PIRELLI has five new board members: Eugenio Coppola di Canzano, Roberto Gavazzi. Giuseppe Gazzoni Frascara, George Krayer and Carlo Alessandro Puri Negri. Outgoing chairman Leopoldo Pirelli, Filiberto Pittini, Ambrogio Puri, Alfred Sarasin

> International appointments

Please fax announcements of new appointments and retirements to 444 171 873 3926, marked for international People. Set fax to 'fine'.

XIII. ME



Eurotunnel P.L.C. Registered office: One Canada Square, Canary Wharf, London E14 5DU. Registered in England and Wales No. 1960271. Euronamel S.A.: Siège Social: 112 avenue Kléber, 75116 Paris, France, Capital 9,195,534,190. RCS: Paris B 334 192 408

NOTICES OF MEETINGS

These notices are to holders of Units in bearer form and, for information only, to holders of beater Warrants.

EUROTUNNEL P.L.C.

Notice is hereby given that the Annual General Meeting of Eurotunnel P.L.C. will be held on 27 June 1996 at La Maison de la Chimie, 28 bis rue Saint Dominique, 75007 Paris at 3 pm or as soon as the Annual General Meeting of Eurotunnel S.A. to be held at the same place and on the same day shall have ended or have been adjourned, for the following purposes.

To receive the Directors' Report and the audited accounts.

To re-appoint as a Director Roy Chapman*. To re-appoint as a Director Keith Edelman.

To re-appoint as a Director Chris Green.

5. To re-appoint as a Director Maurice Le Maire. 6. To appoint as a Director Charles Petruccelli. 7. To re-appoint as a Director Sir Alastair Morton. 8. To re-appoint as a Director Alain Bentrand.

To re-appoint as a Director André Bénard*.

10. To appoint and fix the remuneration of the Auditors. 11. To adopt new Articles of Association **.

Member of the Remuneration Committee

Special Resolution

EUROTUNNEL S.A.

Notice is hereby given that the Ordinary Annual General Meeting of Eurotunnel S.A. will be held on 19 June 1996 at 112 avenue Kleber,

75016 Paris at 9.30 am , and, in the likely event that a quorum is not obtained, the adjourned meeting will be held on 27 June 1996 at 3 pm at La Maison de la Chimie, 28 bis rue Saint Dominique, 75007 Paris for the following purposes:

RESOLUTIONS

1. To approve the annual accounts for the year ended 31 December 1995 and to grant a discharge to the Directors and Commissaires aux Comptes. To make an appropriation to profit and loss.

3. To approve the contracts listed in the Special Report of the Commissaires aux Comptes drawn up in accordance with article 101 of the law of 24 July 1966 on commercial

4. To ratify the appointment as a Director by the Board of Mr Roy Chapman, appointed since the last Annual General

5. To re-elect as a Director Mr Philippe Lagayette. 6. To appoint to the Board Mr Keith Edelman. To appoint to the Board Mr Chris Green. 8. To appoint to the Board Mr Maurice Le Maire. 9. To appoint to the Board Mr Charles Petruccelli in

place of Mr Bernard Thiolog. 10. Delegation of powers for the completion of formalities.

INSTRUCTIONS FOR ATTENDANCE AND VOTING FOR HOLDERS OF BEARER UNITS

If you intend to attend the meetings in person or to vote by post or by proxy, you must immobilise your Units at least 5 days before the meetings by notifying the bank or other institution through which your Units are held of your intention to attend and/or vote.

If you latend to attend the meetings in person, when you immobilise your Units, you should request an Admission Card through the bank or other institution through which your Units are held. If requested in sufficient time, you should receive your Admission Card before the meetings, in which case please bring it with you. If you do not receive your Admission Card, you may still attend the meetings provided that your Units have been immobilised and you bring with you suitable evidence of your identity and of the immobilisation of your Units.

If you do not intend to attend the meetings in person, you may exercise your voting rights by using the combined proxy and postal voting form.

Copies of proxy and postal voting forms and other documents including the full text of the resolutions to be put to the Meetings sent to registered Unitholders in connection with the Meetings may be obtained from:

English language - Royal Bank of Scotland Plc, Registrar's Department, PO Box 39, Caxton House, Redeliffe Way, Bristol. BS99 7ZF. England (by post) - Salomon Brothers Inc., One New York Plaza, New York New York, 10004 - Citibank, 111 Wall Street, New York New York 10043 - The Nomura Securities Company Limited, 1-9-1 Nihonbashi, I Chuo-ku, Tokyo 103, Ispan - Enskilda Fondkommission, Norrlandsgatan 15, PO Box 16067, Stockholm 10332, Sweden (available for collection).

French language - (by post) Banque Indosuez. 96 boulevard Haussman, 75008 Paris, France - Banque Internationale à Luxembourg, 2 boulevard Royal 2953, Luxembourg - Générale de Banque, Montagne du Parc, B-1000 Bruxelles, Belgique et Banque Indosuez Belgique, 40 rue des Colonies, 1000 Bruxelles, Belgique,

By Order of the Board S.A. Walker PCIS Eurotannel P.L.C.

The Board Of Directors Eurotumel S.A. NOTICE IS REPREST GIVEN that the interest raise covering the interest period from June 3, 1988 to December 3, 1986 are detailed below. Interest Amount USD Discount Series D 6.45313 Pot. P.A. USD 82.60 Per USD 1,000 December 8, 1996

Notice of Interest Ret

To the Holders of The United Mexican States

Collateralized Floating Rate Bonds Due 2019

FFF Discount Series 4.78185 Pct. P.A. FFF 121.62 Per FFF 5,000 December 3, 1996

MARGINED CURRENCY DEALING aurion

■ Lowest margin deposits

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Italy 1678 70975 Portugal 0505 48356 OR CALL DIRECT Tel: (49) 40 301 870 Fax: (49) 40 321 851

Greece 00800 49129016

The Financial Times plans to publish a Survey on

World Coal Industry

on Friday, July 5.

Do you want to reach senior decision makers in the world coal mining and equipment business?

> **Contact Anthony Hayes** He will tell you how. Tel: +44 121 454 0922

Fax: +44 121 455 0869. George House, George Road, Edgbaston, Birmingham B15 1PG

FT Surveys

and Piero Sierra are stepping down. been named president of Litton

To the Holders of:

OLYMPIA & YORK MAIDEN LANE FINANCE CORP.

10%% Secured Notes Due 1995

NOTICE OF MEETING OF NOTEHOLDERS

The Bank of New York 101 Barclay Street Auditorium, 12th Floor

The Home Insurance Company, which leases 583,000 square feet at 59 Minden Lane, or 55% of the total building, and the New Hampshire Insurance Department not recently with The Bank of New York, as a Trustee, and with representatives of the ad hoc Committee of Notaholders to discuss Home's recently reported financial results and its current lease obligations at 59 Minden Lane. Subsequent to the meeting, Home submitted to the Committee and Olympia & York proposal to restructure the lease, but neither the Committee nor, to our knowledge, Olympia & York has responded to date to the proposal.

The Trustee and the Committee have scheduled a meeting of all of the bolders of the Notes and their authorized representatives at 10:00 am, on June 25, 1996 in the Trustee's Andhorium at 101 Baruly Street, 12th Floor, in New York City so that holders will have an opportunity to discuss this stimution with each other and to present their views to the Trustee and the Committee.

As all of the Notes are to better form, the True to the true is like of Notes clear to order to communicate to the holders from time to time, as necessary. Accordingly, we sake each bottler to contact either fir. William T. Canningham, View resident, or Mr. John W. Stevenson, Vice President of The Bank of New York, et 101. Barriar Street, New York, New Y Holders or their representatives unable to attend the meeting but wishing to make themselves known to the Trustee for the purpose of receiving future communications relating to the Notes should contact Mr. Campingham or Mr. Stevenson m set forth above.

Capitalized terms used herein and not defined bernin shall have the meanings assigned

ANZBank

Australia and New Zealand Banking Group Limited A.C.N. 005 357 522 ed with limited liability in the State of Victoria) £200,000,000

NOTICE IS HEREBY GIVEN that pursuant to Condition 6(c) of the Notes, ANZ Bank will redeem all of the Notes at their principal amount on the text interest payment date, 26th July 1996, when interest on the Notes Repayment of principal will be made upon presentation and surrender of the Notes, with all unmatured coupons attached, at the offices of any Paying Agents listed below.

Floating Rate Notes due 1997

Paying Agents Bunkers Trust Company 1 Appold Street

London EC2A 2HE Bankers Trust Luxembourg S.A. 14 boulevard F.D. Roosevelt L-2450 Lincembourg

Swiss Bank Corporation Paradeplatz 6 CH-8010 Zurieb Accrued interest due on 26th July, 1996, will be paid in the normal manner on or after that date against presentation of Coupon No. 8.

Bankers Trust Company, London fch June, 1996

Fiscal Agent and

COMMODITIES AND AGRICULTURE

Aluminium prices fall as US labour talks prosper

By Kenneth Gooding, Mining Correspondent

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Aluminium prices on the London Metal Exchange fell by \$21 a tonne, or nearly 15 per cent, yesterday following news that some of the biggest US producers of the metal had reached tentative agreement with unions for new employee contracts.

Combined annual capacity of the three - Aluminum Company of America (Alcoa), Ormet, and Reynolds Metals is 1.9m tonnes of primary aluminium, more than 45 per cent of the US total and more than 10 per cent of global capacity. The previous three-year contracts expired on Friday.

Aluminium for delivery in three months on the LME fell to \$1.571 a tonne at one point under light pressure from spec-ulative and hedge fund selling.

But trade buying took the greenfield expansions now last night aluminium was \$1,583 a tonne, down only \$9 from Friday's level

Many analysis expect aluminium to recover from this level Billiton Metals, part of South Africa's Gencor mining group, is forecasting that the metal will average \$1,653 a tonne in 1996 and that prices will move up as the year prog-

At the Merrill Lynch financial services group, analyst Mr Ted Arnold says he expects aluminium prices to begin to improve from late in the third quarter of this year. "This is because the underlying rate of consumption growth in aluminium is running at between 25 to 8.5 per cent (depending on whose calculations you take) whereas brownfield and

price up from these low levels under way and planned show a so that in after hours trading rate of capacity growth of only about 1.8 per cent a year," he writes in Merrill's lates Commodity Market Trends report.

"Even with full reactivation of all 1.5m tonnes of idled capacity (of which some 700,000 tonnes have already been reactivated) it is still only a matter of time before stock levels are drawn down to dangerously low levels."

Mr Peter Richardson, commodities analyst at broker S.G. Warburg, is forecasting a 30,000 tonne supply surplus this year but says the market is likely to move back to a small deficit in 1997. "We expect a recovery in consump tion growth in 1997 to underpin a strong recovery in prices." Mr Richardson is forecasting an average 1996 aluminium price of \$1.697 a tonne.

Strike hits Russian nickel plant

A strike had halved output at Russia's Nadezhdinsky metalhirgical plant, a subsidiary of the Norilsk Nickel group, by half and cut total Norilsk prodiction by about 12 per cent, a company official said yesterday, reports Reuters from

Mr Boris Gulevich, Norilsk group technical questions director, said he had no information on when the strike might end.

Itar-Tass news agency said on Saturday that more than 10,000 workers at the plant in Russia's Far North began striking on Friday over living conditions in the remote town.

Strikers were waiting for a visit by Norilsk senior managers and representatives of shareholder Uneximbank on Wednesday, when a decision on whether to continue the action would be taken, the agency said.

Norilsk Nickel's produced 180,100 tonnes of nickel and 338,700 tonnes of refined copper in 1995. Uneximbank has a 38

COMMODITIES PRICES

group and has four seats on the board. and said the group was talking to Glencore, the Switzerland based trading organisation. at Norilsk Nickel's smelters and mines.

• Mr Alexander Khloponin, new chief executive of Norllsk Nickel of Russia, the world's second biggest producer of the metal, has acted swiftly to squash suggestions that his reorganised management team may change the group's international marketing arrangements, writes Kenneth Good-

In a formal statement late last week he insisted that Normaco, the group's London based subsidiary, would con-tinue to sell most of the nickel, copper and cobalt that Norilsk

Mr Khloponin was installed as chief executive last week by Uneximbank, of which he is a board member.

Immediately after the major board reorganisation a Norilsk official suggested to the Reuters news agency that there

per cent stake in the Norilsk might be marketing changes This raised hopes among many

western trading organisations that they might be able to pick

up some of Norilsk's business. Mr Claes Lundman of Normaco, which is 75 per cent owned by Norilsk and 25 per cent by AG Resources of Switzerland, said that his organisation was responsible for mar-keting all the group's "official exports" - between 85,000 and 90,000 tonnes of Norilsk's refined nickel.

He said he expected that the new Norilsk management would also attempt to exert better control of the flow of other Norilsk nickel to the west. That would create more price stability.

Analysts believe that up to

50,000 tonnes of nickel, out of Norilsk's total annual output of 180,000 tonnes, were exported by Russian and western traders via "unofficial" channels last year.

Future remains obscure for BSE researchers

The Institute for Animal Health at Compton, Berkshire, remains under threat of privatisation, amalgamation, closure or transfer to a university

an Laing, The president of the Board of Trade last week answered a parliamentary question on the future of some of the UK agriculture's plant science research institutes which had been the subtect of the government's Prior Options Review of Public Sector Research Establishments. "I am satisfied," he said, "that the functions of these institutes are needed and that they should retain their separate

He went on to say that the institutes would remain eligible to compete for research funding from the governmentsponsored Biotechnology and Biological Sciences Research Council. By this, he implied that it would continue to be necessary for the staff at the institutes concerned to obtain substantial private funding from such sources as the agricultural and pharmaceutical industries but that some government money would remain available so long as research projects were fully justified and competitively costed.

Many hundreds of boffins in

white coats at the Institute of Arable Crops Research, the Institute of Grassland and Environmental Research, the John Innes Centre and the Silsoe Research Institute, will have breathed a collective sigh of relief. And the entire arable sector of agriculture should have joined them; for the work done at such centres is of vital importance to the long-term prosperity of their industry. About 40 establishments were involved in the review,

MARKET REPORT

to the lowest levels for nearly

four months at the London

Commodity Exchange yester-

day as producers, fearing lower

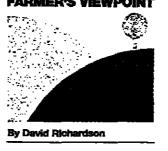
prices ahead of growing sup-

ply, unloaded crops, traders

SOFTS

■ COCOA LCE (E/torne)

Robusta COFFEE futures fell said. "They are expecting



among others doing vital and urgent work of agricultural and human importance. For instance, the Institute for Animal Health at Compton, in Berkshire, whose management controls two other related centres in England and Scotland, is at the forefront of investigations into Bovine Spongiform Encephalopathy. But in spite of having been subjected to almost continuous government scrutiny since the current series of reviews began in 1994 and notwithstanding this year's £1m increase to £6.4m in the Ministry of Agriculture's BSE research budget, it is still under threat of possible privatisation, amalgamation, clo-

sure or transfer to a university. This lack of security for a research centre engaged in matters of current international importance is a scandal. Surely, the on-going crisis over beef alone, never mind Compton's range of other research of national interest, means this must be neglected no longer. For not only are scientists at Compton seeking to establish once and for all whether BSE

prices to fall further," said one.

from Asian, mainly Indone-

sian, producers."

The selling has been mostly

can jump from one species to developed which are free from another epidemic of foot and another, they are urgently looking for means of identifying infected cattle while they are alive and long before they exhibit symptoms. Furthermore, their work recognises that when the BSE business is all over it will be more necessary than ever before for farmers to be able to give quality assurances on all livestock products and that these will include aspects of health.

In addition, as politics increasingly dictates the preeminence of market forces, there is an economic imperative for UK agricultural production to be competitive with that of the rest of the world. This can only be achieved on the back of sound scientific research The livestock industry con-

tributes over 60 per cent of total UK farm output with an annual value at the farm gate of some £9.5bn. But disease reduces production by around 17 per cent, or £1.5bn a year, and that figure takes no account of BSE. Nor does it take account of the suffering of the animals, the threat to international trade, the implications for food quality and the fact that some animal diseases can be transmitted to humans. Research at Compton is seeking to address all of those problems. By gaining understand-ing of the processes of

infectious diseases, scientists

are developing methods to con-trol them. They are, for instance, well advanced in work that should ultimately enable strains of poultry to be

salmonella infection. This is being done by identifying salmonella-resistant genes in chickens and inserting them into other chickens. In time, this should enable

the desired trait to be introduced across entire flocks. which would themselves go on to breed resistant offspring. It has been described as producing "designer chickens" and there is similar activity which may eventually control other crucial diseases in other animal species. Such benefits are being achieved by genetic engineering but they do not involve bizarre and ethicallysuspect practices like producing rat sperm in mouse testes or growing human ears on the

back of a mouse.

Compton and its associated laboratories are also involved in the protection of UK herds and flocks from so-called exotic diseases from other parts of the world. The risk of epidemics in the UK of such devastating problems as foot and mouth disease or African swine fever increased significantly with the introduction of the European single market. This opened up borders that had previously been closed or. at least, tightly controlled to all over the European Union. In some of the countries on the fringes of the Community, such exotic diseases are endemic and if they were to spread to the UK the costs

could be catastrophic. It has been estimated for instance, that were there to be

mouth disease in the LK on the scale of that in 1967, when almost half a million cattle had to be slaughtered and burned in the fields, the cost would be in excess of £1.5bn - again without taking account of the effects on trade, the reputation of UK food and so on.

Compton's associate institute at Pirbright, in Surrey, has already proved that its anticinatory protective measures work. Back in the 1970s, its specific forecasts of possible foot and mouth infection in the Channel Islands and the south of England from an outbreak in northern France proved pinpoint accurate. One case was identified in each area predicted. Both herds were imme diately slaughtered and the outbreak stopped in its tracks.

Only secure, independent research institutes could be expected to provide such protection. Commercial ones would be legitimately more concerned with their duties to their shareholders.

Meanwhile, instead of being able to concentrate on the vital work of learning how to minimise and control animal diseases, BSE among them, for the good of the entire nation, the administrators of such establishments as the Institute for Animal Health have been forced to spend much of their time and energy defending their position to the government. It is high time the matter was resolved and the scientists the government claims to rely on allowed to get back to

well as a strong start to grad-

Cash

1540.5-41.5

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3 mths

1575-78

1578-79

BASE METALS LONDON METAL EXCHANGE Prince from Amelogmeted Motel Tracing) - -E ALLIMINEUM, 99.7 PURKTY (\$ per torme)

AM Official

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| | Open int. | 223,576 | |
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| | Kerb close | | 1333-35 |
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| | AM Official | 1021-21.5 | 1048-49 1044-48 |
| | Kerb close | 73,550 | 1044-10 |
| | Open int. | 18,162 | |
| | Total daily tumover | | |
| | COPPER, grade A | (\$ per tonne) | |
| | Close | 2517-20 | 2428-29 |
| | Previous | 2546-49 | 2447-47 |
| | High/low | 2544 | 2455/2425 |
| | AM Official | 2543-44 | 2443-45 |
| | Kerb close | | 2433-34 |
| | Open int. | 187,257 | |
| | Total daily turnover | 55,179 | |
| | R LIME AM Official | E/S rate: 1.547 | • |
| | LME Closing S/S | reter 1.5542 | |
| | | | |

PRECIOUS METALS T LONDON SULLION MARKET Prices supplied by N M Rothschäd

\$ price 391.20-391.50 391,20-391,50 390.60 390.70 251.963 487.008 Day's High Day's Low 391,25-391,55 390.60-390.90 Loco Ldn Mean Gold Lending Rates (Vs USS) ...4.70 ...4.68

367.35 368.60 \$ price 392-395 401,50-404.05

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Precious Metals continued E GOLD COMEX (100 Troy oz.: \$/troy oz.)

402.6 402.6 402.6 1,236 6,283 46,820 190,870 # PLATINUM NYMEX (50 Troy oz.; \$/troy oz.) -0.4 404.5 402.5 1,586 19,901 -0.5 407.5 408.0 115 5,128 -0.5 408.5 409.5 187 1,031 -0.5 412.0 411.0 11 1,587 E PALLADIUM NYMEX (100 Troy oz.; \$/troy oz.) 132.15 -0.65 132.50 132.00 212 767 132.65 -0.65 133.25 131.75 753 7.113 133.75 -0.65 134.75 134.75 21 861 974 2,041 Jun Sap Dec Total ■ SELVER COMEX (5,000 Troy oz.; Cents/troy oz.) - 534.0 530.0 82 43 -2.3 536.5 535.0 138 93 -2.3 541.5 537.0 17,841 62,534 -2.3 547.0 543.0 4,608 15,888 iliy Jan Jai 537.0 17,841 62,534 543.0 4,008 15,689 551.0 117 10,108 -2.2 556.5 551.0 -2.0 562.0 561.0 1,107 **ENERGY** # CRUDE Oil NYMEX (1,000 barrels, \$/barrel) 19.67 37.337 79.851 19.87 37,337 79,851 19.08 15,713 49,315 18.65 8,315 36,208 18.33 3,524 25,581 18.20 2,747 21,231 18.00 4,030 35,234 73,786 380,880 CRUDE OIL IPE (\$/barrel) 17.76 14.004 61,225 17.40 8.154 43.776 17.21 2.707 14.901 17.00 435 14.798 17.76 14,004 61,225 17.40 8.154 43,776 17.21 2.707 14,901 17.00 435 14,788 18.88 269 4,898 18.72 1,604 11,974 31,548 778,289 ■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.) -3.06 52.25 51.00 11,782 -0.16 51.75 50.80 15,887 +0.14 52.10 51.10 4,444 +0.19 52.40 51.90 2281 +0.24 52.85 52.10 407 +0.19 53.40 63.15 256 1,420 24,485 14,870 10,071 5,118 III GAS OIL PE IS/brook

MATURAL GAS MMEX (18,000 mmBill; \$/combill) 2.405 +0.009 2.420 2.375 6.385 34,783
2.440 - 2.455 2.428 2.543 21,114
2.410 +0.005 2.415 2.380 1.132 17,154
2.388 +0.003 2.385 2.375 1.163 13,547
2.400 -0.007 2.407 2.390 286 9,885
2.475 -0.010 2.485 2.475 323 11,753
12,7391 445,658 323 11,753 12,796 146,668 ■ UNA EADED GASCLINE NYMEX (42,000 US gails; of LE gails) -345 60.10 55.85 14.539 5.934 -284 60.00 55.85 14.531 23.849 -230 55.90 57.80 4.851 13.927 -1.70 57.25 55.60 12.88 4.85 -0.95 55.00 54.90 17.00 15.54 -0.95 55.00 54.90 17.00 15.54

•

+1,00 164.75 182.00 6,385 14,187 - 160.50 159.00 4,383 13,682 - 159.50 157.75 942 8,526

13,682 8,526 5,159

12,516 17,551

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GRAINS AND OIL SEEDS WHEAT LCE (£ per tonne) 124.15 -2.10 125.25 124.25 321 1,496 111.55 -0.25 111.55 111.55 10 370 113.40 -0.35 113.90 113.50 98 2,799 115.50 -0.15 115.60 115.50 17 98 117.50 -0.25 117.55 117.50 35 198

14 93 481 5,924 119.75 +0.10 119.50 119.50 May Total MHEAT CBT (5,000bu min: cants/806b bushel) ■ COCOA CSCE (10 tonnes; S/tonnes) \$21,00 -7.75 \$24.50 \$08.75 \$11,286 43,850 \$22.75 -9.00 \$22.00 \$11.75 3,376 17,972 \$51,75 -6.75 \$33.00 \$19,00 \$29.20 \$18,913 \$37.00 -530.00 \$20.00 \$27 2,344 485.00 -10.00 483.00 483.00 11 115 -20 -18 -17 -16 -19 1375 436,00 -4.00 438.00 425.50 213 1,514 MAIZE CST (5,000 bu mirr; cents/56% bushel) **■ COCOA (ICCO) (SDR's/tonne)** 465.25 -12.00 479.00 485.25 31.279 125.440
388.00 -12.00 398.00 388.00 11.421 87,985
341.75 -12.00 355.50 341.75 36.224 158,002
347.50 -12.00 355.50 347.50 1,110 19,389
350.25 -11.75 355.00 350.00 121 3,522
349.25 -10.75 358.00 348.00 106 3,008
an oer 342.816 1805 80,982 362,916 BARLEY LCE (2 per tonne) 1727 1699 1671 E COFFEE 'C' CSCE (37,500lbs; cents/lbs) 913 785,50 -22.75 788,00 758,50 21,109 60,234 761,50 -21.75 777.00 755.50 3,356 14,228 742,00 -22.75 757.50 735.00 1,509 6,838 731,00 -20.50 750.00 722.50 28,583 84,825 738,00 -21.75 755.50 730,00 295 7,223 744,00 -22.25 754,00 737,00 127 3,134 EL COFFEE (ICO) (US cents/pound) SOYABEAN OIL CET (80,000lbs: cents/b) 25.63 -0.60 26.39 25.64 9,130 41,205 25.02 -0.57 26.53 25.64 2,204 12,903 26.22 -0.55 26.60 26.05 702 6,402 26.33 -0.51 26.80 26.22 248 5,006 379.3 +2.6 379.5 374.0 344.1 +1.4 344.0 342.0 334.1 +1.4 339.5 332.4 329.6 +1.4 329.0 328.0 328.7 +1.0 328.4 327.0 28.22 -0.55 28.60 28.38 -0.51 28.80 26.51 -0.56 27.00 26.69 -0.62 26.90 26.22 248 5,006 26.40 3,832 21,035 26.56 78 1,734 16,462 80,773 -6.6 241.0 232.6 11.361 39.823 -7.0 240.0 232.1 3,273 12.065 -7.2 256.0 230.0 1,342 7,507 -8.5 232.0 255.5 1,128 3,559 -8.1 22.8 224.9 6,206 20,581 -7.5 231.0 225.8 331 1,974 24,983 \$7,878 234.1 233.5 236.8 227.0 226.9 727.5 ■ SUGAR '11' CSCE (112,000lbs; certs/lbs) E POTATOES LCE (E/tonne) 170.0 +30.0 85.0 -110.0 -TI COTTON NYCE (50,000lbs; cents/lbs) 138.0 +6.5 138.0 135.0 138.5 - 137.0 137.0 31 538 10 604 21 2,985 55 1,346 75 137 50 29 1369 1275 1355 1265 1230 1335 1245 1348 1345 1320 115.90 -0.65 116.75 115.75 Clase 1337

All futures data supplied by CMS.

There was strong general demand. Landed bright liquoring Kenyas met active competition at fully firm to dearer rates white improved quality Burnotis advanced. Coloury mediums were also well supported at less levels with were also was supported at less takets with pleiner teas steady. The few Ceylons were again very strong. Offshore met good compet-tion at fully firm rates. Quotations: best exell-sale: 153p/kg, good: 130p/kg, good medium: 121p/kg, medium 111p/kg, low medium 86p/ kg, The highest price realised this week was 153p/kg for a ceylon bopt.

1077 +46 1030 1030 13 21 1072 -5 1085 1088 1,408 17,908 1091 -7 1105 1080 435 45,932 1025 -12 1047 1027 330 31,488 169 19,987 3,737 189,772 1370 1353 7,197 23,184 1385 1371 1,549 20,375 1410 1395 2,280 77,307 1432 1415 1,288 14,980 1446 1430 590 6,881 1440 1440 1 5,529 12,945 91,823 1892 1840 122 609 1809 1753 3,630 14,694 1762 1733 1,053 7,535 1774 1726 189 3,257 1745 1701 37 1,748 1719 1676 19 919 112.55 -3.55 115.30 112.25 4,116 13.524 111.65 -3.70 114.80 111.10 1,403 7,851 110.70 -2.75 113.25 110.50 208 3,251 110.05 -2.85 112.5 110.05 30 1,000 110.05 -1.85 110.50 110.50 21 333 4,116 13,524 1,403 7,851 208 3,361 38 1,000 21 333 6,767 25,839 Pres. day 105.12 109.76 542 11,003 95 8,125 15 3,884 29 3,769 80 1,592 37 575 W/A W/A 11,47 +0.26 11,49 11,15 9,820 55,698 10,82 +0.16 10,84 10,62 6,421 37,225 10,69 +0.06 10,70 10,59 1,567 29,963 10,61 +0.05 10,83 10,58 448 9,721 10,58 +0.04 10,59 10,55 514 8,260 10,50 +0.04 10,35 10,35 310 3,861 10,50 +0.04 10,35 10,35 310 3,861 80.32 +1.04 80.35 79.20 2.204 22.955 79.18 +0.40 79.25 78.40 451 4,801 78.87 -0.23 78.71 77.85 4,299 23,015 79.50 -0.35 79.70 79.10 368 5,158 80.13 -0.22 80.25 79.80 374 2,028 80.55 -0.12 80.75 80.59 172 1,020 M ORANGE JUICE NYCE (15,000bs; cents/bs) 122.90 -1.10 124.00 121.90 2,152 10,911 120.90 -1.00 121.75 119.70 833 4,913 137.20 -1.10 118.25 117.20 108 1,621 3,824 268 150 Gold (per troy az) \$
Silver (per troy az) \$
Platinum (per troy az.)
Patinum (per troy az.) -0.85

VOLUME DATA Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CET, NYCE, CME, CSCE and IPE Crude Oil are one day in arream. Volume & Open Interest totals INDICES E PARTITERS (Base: 18/9/31=100)

Jun 3 2112.3 May 31 month ago year ago 2106.6 B/H 2305.4 res (Base: 1967=100) E CRIS Fig May 31 May 30 month ago year ago 254,07 252.25 257.95 N/A E GSCI Spot (Base: 1970=100)

on May 24. MEAT AND LIVESTOCK

III LIVE CATTLE CME (40,000lbs; cents/lbs)

55.025 +0.975 55 150 53.900 50.175 +0.975 50.400 49.100 52.800 +1.100 52.900 51.500

■ PORK BELLIES CME (40,000lbs; cents/lbs)

88.725 -2 90.500 88.725 78.775 +0.175 80.525 78.150 77.500 -0.150 78.175 76.250

73.225 - 74.350 72.450 73.850 -0.050 73.900 73.900 74.950 +0.500 75.000 74.800

Strike price \$ toons

E ALIMINIUM

1500...

■ COPPE

(Grade A) LME

■ COFFEE LCE

E COCOA LCE

Premium Gasoline

Gas Oà Heavy Fuel Où Naphtha Jet fuel

Bacton (Jun)

Petroleum Argus. EL OTHER

Copper Lead (US prod.)

Tin (Kuala Lumpur) Tin (New York)

Cattle (live weight) Sheep (live weight)

Pigs (live weight)† Lon. day sugar (raw) Lon. day sugar (wte) Barley (Eng. feed) Maiza (US No3 Yellow

Wheat (US Dark North)

Rubber (KL RSS Not)

Rubber (Jun)♥

Rubber (July

MATURAL GAS Pana

LONDON TRADED OPTIONS

76 39 16

LONDON SPOT MARKETS

Oil PRODUCTS NWE prompt delivery CIF (corre-

\$18,92-7,02x \$18,24-8,29 \$17,92-7,93

\$19.86-9.88x

5206-208

\$190-192

\$169-170

12.50-13.00

(0171) 359 8792

538.50c \$400.75 \$131.00

15.41r 290.50

99.605

146.87p 115.29p

5295.9 \$394.5

102.75p 102.75p

382.00m

815.0v

\$512.5 \$521.02 219.0z

E CRUDE Oil FOB (per barrel)

6 19 48

34

+0.095

-0.80 -2.00

+1.50 -0.50

-0.20 -1.00

+1.13° -5.70° +5.11°

-1.00 -1.00

+0.45

At the close on Monday the near eight-week lows of \$1,780 benchmark July contract was

Apr Total

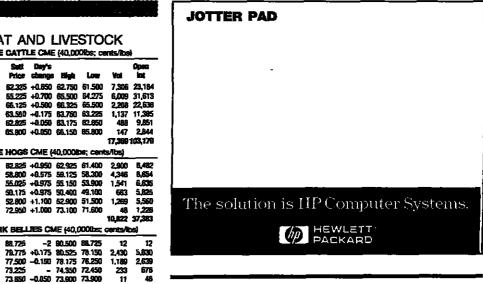
Producer selling sends London coffee futures lower off \$46 at \$1,759 a tonne after LCE COCOA futures dribbled trading at a high of \$1,809. back to settle lower at the ings in preparation for this Traders said the selling was close after a hesitant recovery in the morning session. triggered by the contract's failure to recover after sliding to

were disappointed by the lack

Holders of long positions

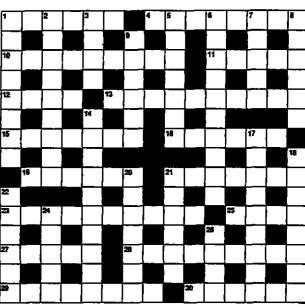
month's delivery period. "It hasn't helped the sentiment." said one trader.

of follow-through buying as Compiled from Reuters



CROSSWORD

No. 9,085 Set by VIXEN



ACROSS 1 Possibly ten get very cold but remain attractive (6) 4 Scoffed about legal right - a 16 Highly implausible stories!

11 A spice endlessly used in savoury food (5)
12 Article about dealing with a specific piece of land (4)
13 Left with poetry in one s solitude (10) 15 Tear madly after a taxi to see

a show (7) 16 Such scoundrels are affected 14 A speech about noise could be in sea going craft (6) 14 A speech about noise could be the making of a minister (10) 19 Stop for a while (6) 21 He'll put a good finish on wooden furniture (7)

22 See a novel use for cinders (7)

23 Preparing to perform in pub- 21 The fellow has an explanation lic (10) 25 Not at all friendly - a common complaint (4) relied at one time (6)
27 A little model Hindus make in 24 A woman with aspiration laid India (5) off (5)
28 Observes focus is a problem 26 Confound retiring beads! (4)

for the viewer (3-6) 29 Still only for the male worker around the north (8)30 Stick given as modish present

22 Deals on which sailing men

DOWN

1 Send for a gate (8)
2 It's only fair the board should

accept new role (9) 3 To snub middle-men can be

5 Tenants to watch in inferior

accommodation (7) 6 Got out - given aid - reacted

7 Liberal politician framed by

9 Not quite a pound maximum

shrewd (4)

badly (10)

porter (5)

8 Tax being cut (6)

17 Country music (9)

dope (6)

Solution to Saturday's prize puzzle on Saturday June 15.

Hubber (K.L. HSS Fol)
Coconut. Oil (Philis)
Peim Oil (Malay, IS
Copra (Philis)
Soyabeans (US)
Cotion Outbook A' Index
Wooltops (84s Super)
C per torne unless otherwise Indigety an Malayaban centility, y Aprilum, w Justiful,
Rotherdam, B Buston merke

Spot: 1.5515 3 mile: 1.5494 6 mile: 1.5483 9 mile: 1.5475

HIGH GRADE COPPER (COME) 112.00 -1.10 172.90 172.00 40 110.55 -0.60 111.00 109.80 1,155 109.65 -0.60 109.80 109.60

544.90 551.35 565.10 £ equiv. 253-255 92-85

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INTERNATIONAL CAPITAL MARKETS

Treasuries recover from early losses

By Liaz Bransten in New York and Antonia Sharpe in London

US Treasury prices showed marginal gains at midday yesterday, after weaker than expected figures on business activity in May belped spur a recovery from early morning

The benchmark 30-year Treasury fell more than a quarter point in early trading, sending the yield well over 7 per cent, but by midday the long bond had recovered its losses and was 1/2 stronger at 87% to yield 6.985 per cent. The two-year note was 1 higher at 99 1, yielding 6.220 per cent, and the September 30-year Treasury

bond future was up & to 1078. Prices jumped at midsession after the National Association of Purchasing Management said its index of business activity had fallen to 49.3 in May from 50.1 in April. The consensus on Wall Street had been for a rise to 51.2 per cent.

However, the news was read as mixed for the bond market, because the decrease in activity was accompanied by a rise in the prices-paid component to 50.8 from 40.1. Also, the index was held down by a large decrease in inventories, which could lead to stronger figures once producers finish running through inventories.

Mr Joseph Liro, chief economist at CIBC Wood Gundy, said: "The factory sector is poised to do substantially better once the inventory adjustment process has run its

■ European government bond markets remained at the mercy of the US Treasury market yesterday. They opened lower in response to the fall in Treasuries on Friday and because of weakness in the dollar against the D-Mark. The dollar's fall hurt both the core markets and the high-yielders, Italy in particular.

Ms Mary Bloem, bond strategist at Paribas, said the markets were further disappointed by the US April leading indicators, but the subsequent release of a lower than expected NAPM index triggered an afternoon recovery.

GOVERNMENT BONDS

However, Ms Bloem expected activity to remain subdued this week because of the important US non-farm payrolls data on Friday. "We see the risk on the downside," she said.

On Liffe, the September bund future rose 0.13 to 95.48 on turnover of 137,473 contracts while in Milan, the September Italian 10-year government bond future was 0.44 higher at 114.98 on volume of

■ UK gilts were lifted by a weaker than expected purchasing managers' report for May, which confirmed that activity in the manufacturing sector remained subdued and that

price pressures were easing. The report hammered home the point that rates won't be going up," said Mr Jonathan Loynes, UK economist at HSBC Markets.

The report also allowed gilts to marginally outperform continental European markets yesterday, with 10-year paper ris-ing by about a half-point and the spread over Germany coming in to 170 basis points from

174 points on Friday. Mr Loynes said that despite the favourable picture of the economy and the widely-held opinion that gilts were cheap compared with German bunds, the market was having difficulty in breaking out of its current spread range of 170 to 180 basis points.

Gilt dealers forecast a quiet week for the market and did not expect anything significant

Consulting to emerge from tomorrow's meeting between Mr Kenneth to provide Clarke, the chancellor of the **DTB** system exchequer, and Mr Eddie George, the governor of the Bank of England.

gilt future stood # higher in

the afternoon at 105 to on vol-

■ Japan was the top performer in J.P. Morgan's global govern-

ment bond index monitor in

May, with a local currency

J.P. Morgan said the primary

drivers for the Japanese mar-ket were solid growth numbers

and an expected rate rise in

The other top performers in

the index were Italy and Can-

ada, with returns of 1.42 per

cent and 1.05 per cent respec-

South Africa, which is not included in the index, showed

a local currency return of 1.6

FT-ACTUARIES FIXED INTEREST INDICES

ume of 21.335 contracts.

return of 1.5 per cer

the near future.

tively.

On Liffe, the September long By Andrew Fisher in Frankfurt

Deutsche Börse, which runs the Frankfurt stock and futures exchanges, has chosen Andersen Consulting to provide its new electronic securi-ties trading system which is expected to cost between DM100m and DM150m.

Andersen

Andersen previously developed the computerised trading system for Deutsche Terminborse (DTB), the futures and options exchange. The other main contender for the new trading system was IBM which was responsible for the Boss order-routing system. The final choice was narrowed down to Andersen and

IBM when Deutsche Börse decided earlier this year not to use the French NSC system because the costs of adapting it for the Frankfurt exchange would have been too high. Deutsche Börse said it chose Andersen because it would be less complex and costly to

hase the new system, the KHS, on a trading platform already in use. Thus, it said, "the proposal submitted by Andersen Consulting entailed a lower project risk". Mr Werner Seifert, Deutsche Börse's chief executive, said

the KHS should be completed on schedule and within budget. He has already said the cost would be less than the previously estimated DM150m. Last month, he said the intro duction of KHS would be speeded up so full operation could begin at the end of 1998.

Bankers expect the final cost to be around DM120m, although some say it should be kept below DM100m. The first phase, the replacement of the ibis electronic trading system for 106 blue chips and other shares, should be completed in 1998. KHS is part of an overall investment programme will exceed DM300m.

Launch of Bolsa de Derivados 'to boost liquidity'

The forthcoming launch of Portugal's long-awaited derivatives exchange is likely to boost liquidity in the country's stock and bond markets, and should attract more international investors into Portugal's financial markets, officials said

DERIVATIVE INSTRUMENTS

The Bolsa de Derivados do Porto (BDP) is to kick off on June 20 with two futures contracts: the PSI-20 stock index future and the OT-10 Future on 10-year government bonds. The exchange is also plan-

ning to launch a three-month money-market instrument based on the Lisbon inter-bank offered rate (Lisbor), for which it is awaiting government approval it should be available by June 20, officials said. So far, the exchange has 35 members, some of whom are

subsidiaries of foreign banks. Trading will be screen-based, using a variant of the electronic dealing system employed by Meff, Spain's futures exchange. Future plans for new con-

tracts include stock options, options on futures and foreignexchange contracts. Europe's higher-yielding

markets have been attracting much attention lately on expectations that they will perform strongly in their attempt to qualify for European mone-

tary union in 1999. Indeed, Portugal's inflation rate has eased significantly in recent years and is set to decline to 3.2 per cent by yearend, said Professor Texeira dos Santos, government secretary of finance and treasury, at a briefing in London yesterday.

percentage of GDP stood at 5.2 per cent last year and is set to fall to 4.2 per cent this year, he said Last, its public debt to GDP ratio stands at 71.6 per cent - roughly the EU average - and is set to decline to around 70 per cent by year end. "I think we will make signifi-

cant progress which will be enough to meet the criteria to join the single currency," Pro-fessor Texeira dos Santos said. He added that improving economic fundamentals should help the country's financial

"Portugal has a well-established regional market, with independent supervision, a clear and transparent legal framework and state-of-the-art operating procedures," said the Professor. "The privatisation process has helped the development of our market, making it more integrated within the international capital markets." According to Mr Manuel

Alves Monteiro, chief executive of the new exchange, international holdings of Portuguese securities are likely to increase with the advent of the futures exchange. "Some foreign investors, for

example in the US, aren't allowed to invest in markets that do not offer hedging instruments," he said. Currently between 4 to 6 per cent of the Portuguese bond market is owned by foreigners, he said, adding that this share could rise to 15-20 per cent.

After years of wrangling between the competing Lisbon and Oporto stock exchanges over which of them should be allowed to trade derivatives, the Portuguese government decided in 1993 that Lisbon should become the centre for share trading while Oporto would be the seat of the new

Issuance dominated by retail-targeted offerings

By Conner Middelmann

The eurobond market was dominated by retail-targeted offerings while institutional investors lay low ahead of Friday's publication of US employment data and the quarterly tankan report in Japan.

INTERNATIONAL BONDS

Kredietbank, the Belgian bank, issued \$200m of 21/2-year bonds yielding 15 basis points over Treasuries at the re-offer price. Some observers said the issue was driven by arbitrage considerations, rather than investor demand, and thought it would be slow to sell.

Indeed, the yield spread widened in the course of the day to 19 basis points but lead man-

some retail accounts in Belgium and the Netherlands. Another retail-targeted dollar offering came for Rabobank, a well-known retail name. The Dutch bank issued \$100m of 6.25 per cent bonds with a yield flat to Treasuries, fungible with \$200m of bonds launched two weeks ago. Daiwa and Rabobank acted as

Rabobank also made its debut in the sterling sector. with £100m of 7 per cent 31/2-year bonds priced to yield 25 basis points over three-year gilts at the re-offer price. NatWest Capital Markets, the issue saw good demand from

pick-up in European retail demand for sterling paper in recent weeks, based on expec-

According to lead manager Swiss retail accounts. Dealers have reported a

NEW INTERNATIONAL BOND ISSUES US DOLLARS Federal Home Loan Banks(a Kredietbank Intil Finance(s) £15R 9.1875R Rebobenk, Ned ISS FRANCS 3.50 Nov 1999 0.225R +15(7)/-96-99) ABN Armo Hoare Govett Crédit Local de França First terms, non-catable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. **Linitetol. #Semi-anougl coupon. R: fixed re-offer price; fees shown at re-offer level. a) Catable on 11/6/97 at per, a1) 5/4% to 11/6/97, then 71/6, b) \$200m launched 15/5/96 was increased to \$300m, c) 6/4% to 17/7/01, then 71/6, i) Over interpolated yield, a) Short 1st coupon.

that sterling bonds offer an attractive yield pick-up over core-European markets, The New Zealand Debt Manat Office is repurchasing outstanding Yankee

issues worth \$500m and two New Zealand aims to have sterling bonds totalling retired all its foreign currency £197.5m. Morgan Stanley is actdebt by the year-end. The ing as exclusive manager of bonds will be bought at the dollar operation and BZW spreads of 10-35 basis points on the sterling buy-back. over their current yields.

| ager Nikko re | ported (| deman | ıd tatio | ons of o | contin | med c | urency | agemer | at Office | is reour | chasine | the d | lollar oper |
|---|----------------|----------------|----------------------|--------------|---------------|--------------|---------------|--------------|-----------------|------------|--------------|--------------------------|------------------|
| from Swiss inve | | | | | | | ception | | outstan | | | | e sterling |
| | | | | | | | | | | | | | |
| WORLD BOI | ND PRI | CES | | | | | | | | | | | |
| BENCHMARK | GOVE | PAN | ENT BO | NIDS | | - | | E BUND | PUTURES (| OPTIONS | | (250,000 pc | aints of 100% |
| | | Red | | Day's | | Week | Month | Strike | | | <u> </u> | | |
| | Coupon | Date | Price | change | Yield | ago | ago | Price | ال ال | Aug T | Sep | Dec | Jul Aug |
| Luetralia. | 10,000 | 02/06 | 106,7840 | -0.070 | 8.96 | 8.86 | 8.78 | 9500 | 0.78 | 1.09 | 1.28 | 1.21 0 | 29 0.60 |
| Ausoria | 6.125 | 02/08 | 97,6000 | -0.040 | 6.48 | 8.47 | 6.37 | 9550 | 0.47 | 0.80 | 0.99 | | .48 0.81 |
| Selgium | 7.000 | 05/06 | 101.8900 | +0.020 | 6.73 | 6.66 | 6.60 | 9800 | 0,25 | 0.57 | 0.75 | | .78 1.08 |
| Canada * | 8.750 | 12/05 | 106.9800 | -0.080 | 7.70 | 7,45 | 7.70 | Est vol to | tal, Carls 7821 | Pube 8391, | Previous d | kay's open in | L Cafe 117343 |
| Denmark Sweet | 8.000 | 03/06 | 103,2800 | -0,200 | 7.51 | 7.38 | 7.23 | | | | | | |
| France STAN OAT | 5.750 7.250 | 03/01 04/08 | 100.7500 105.2100 | -0.070 | 5.56 6.51 | 5.48 6.43 | 5.53 6.41 | itely | | | | | |
| Germany Bund | 6.250 | 04/06 | 98.0500 | +0.030 | 6.52 | 6.40 | 6.51 | E NOTIC | MAL ITALY | UN GOVT. | BOND (B | TP) FUTUR | LES |
| reland | 8.000 | 08/08 | 0.0000 | TUDOO | 0.00 | 7.58 | 7.53 | (LIFFE) | Link 200m | 100ths of | 100% | - | |
| | 9.500 | 02/06 | 100,2900 | +0.110 | 9,45† | 9.35 | 9.59 | | Open | Sett price | Change | LEch | Low |
| lapan No 140 | 6,600 | 06/01 | 119,7279 | +0.430 | 224 | 2.30 | 2.39 | _ | -• | _ • • | | _ | |
| No 182 | 3,000 | 09/05 | 99.0652 | +0.180 | 3.13 | 3.25 | 3.33 | Jun | 114.92 | 115.55 | +0.43 | 115,62 | 114.82 |
| letherlands | 6.000 | 01/08 | 97.1000 | -0.020 | 6.41 | 6,31 | 6.27 | Sep | 114.39 | 114.95 | +0.41 | 115,04 | 114.23 |
| ortugel | 11.875 | 02/05 | 116.3500 | -0.740 | 9,06 | 8.90 | 8.91 | E ITALIA | N GOVT. B | OND (BTP) | FUTURE | S OPTIONS | (LIFFE) Line2 |
| Spain | 8.806 | 04/08 | 97.1900 | -0.090 | 9,23 | 9.07 | 9.14 | Strike | | | 418 | | |
| Sweden | 6.000 | 02/05 | 85,0403 | -0.210 | 8,50 | 8.63 | 8.26 | Price | | Sep | Di | | Sep |
| JK GLEps | 8.000 | 12/00 | 102-03 | +4/32 | 7.44 | 7.40 | 7.42 . | | | • | | | |
| | 7.500 | 12/06 | 95-30 | +14/32 | 8.08 | 6.05 | 8.01 | 11450 | | 2.00 | 24 | | 1.55 |
| | 9.000 | 10/08 | 106-09 | +20/32 | 8.18 | 8.14 | 8.11 | 11500 | | .72 | 2.2 | | 1.77 |
| US Treasury * | 6.875 | 05/06 | 100-00 | -4/32 | 6.87 | 6.68 | 6.53 | 11550 | | .48 | 2.0 | _ | 2.03 |
| Cal Cares Cord | 6.000 | 02/26 | 67-18 | -8/32 | 7,01 | 6.84 | 8.79 | Est. vol. to | bai, Casha 1860 | Puts 3105. | Previous d | my's openint | ., Calle 38316 I |
| CU (French Govi) | 7.500 | 04/05 | 103,2200 | -0.100 | 7.00 | 6.87 | 6.76 | | | | | | |
| ondon closing, "New Yo ' Gross fincluding within | | 13 E | man | | | ocal gran | يجا ويورطون | Spain | | | | | |
| Hose: US, UK in \$2nds, | | | | OF RESIDENCE | | CH; 1468 | international | M NOTIO | nal Spani | SH BOND | FUTURES | (MEFF) | _ |
| | | _ | | | | | | | Open | Sett price | Change | High | LOW |
| US INTEREST | FRATE | 35 | | _ | | | · | Jun | 99,15 | 98,43 | | 99.35 | 98.36 |
| steet | | | Treads | 88s and | Road Vie | irte | | Sep | 98,72 | 98.25 | _ | 98.75 | 97.90 |
| | ~ | e modili | i i dager; | | DUNN 146 | 113 | 6.27 | UK | | | | | |
| Tigo (1) | Sty Te | o month | | - The | 100 Juli | | 6.46 | | NAL LIK GE | т Аппа | P\$ () (FFE) | ° 950 000 3 | 2nds of 100% |
| rolor foet) rate | | 199 WORD, | | | 4 year | | | | | Sett price | | | Low |
| ed.funds at Intervention | | o 1987 | | | /0 | | 6.87 7.90 | _ | Open | | | - | |
| | | - | | | - | | | Jun | 105-15 | 106-08 | +0-18 | 106-11 | 105-14 |
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| | | | | | | | | III LONG | GILT FUTU | PES OPTIX | | 2) \$50,000 (| 94ths of 1009 |
| | | | | | | | | Strike | | ~~ | us | | |
| | | | | | | | | Price | فدق | Aug | Sep | Dec . | tui Aug |
| SOND FUTUR | HE AN | n 00 | | | | | | 105 | 0-50 | 1-13 | 1-33 | 1-54 0- | 40 1-03 |
| AND LOIGE | لاب جد | v vr | | | | | | 106 | 0-21 | 0-48 | | | 11 1-38 |
| | | | | | | | | 107 | 0-07 | 0-25 | | | 61 2-15 |
| | | | | | | | | | | | - | | . Casta 14839 F |
| France | | | | | | | | | | | | | |
| NOTIONAL FREN | CH BOND | FLITURE | S MATER F | Freezo com | | | | Ecu | | | | | |
| | | | | | | | | | OND FUTUR | | 5 C/1 H/~ | | |
| ^~~ | Catt pales | | na Lilah | 1 | . == | | | | with the file | لل محدد | | LARL | |

| | Ореп | Sett price | Change | High | LOW | Est. vol. | Open Int |
|--------|----------|------------|---------|--------|--------|-----------|----------|
| Jun | 123.14 | 123.22 | -0.10 | 123.24 | 123.08 | 85,670 | 147,757 |
| Sep | 121.62 | 121.74 | -0,12 | 121,74 | 121.60 | 19,624 | 35,793 |
| Dec | 120.40 | 120,54 | -0.10 | 120,50 | 120.40 | 583 | 9,858 |
| I LONG | TERM FRE | ICH BOND | OPTIONS | (MATE) | | | |
| Strike | | CAL | LS | | | PUTS — | |
| Price | Jul | Aug | g '8 | iep | ليدل | Aug | Sep |
| 120 | 1.97 | • - | | - | 0.14 | 0.32 | 0.56 |
| 121 | - | - | | - | 0.30 | 0.59 | 0.84 |
| 122 | 0.49 | 0.8 | 2 1 | .06 | 0.66 | 0.96 | 1.25 |
| 123 | 0.17 | 0.4 | 1 0 | .63 | • | - | • |
| 124 | 0.04 | 0.1 | 4 6 | .35 | _ | _ | _ |

| UK GILTS PRICES | Sep | 96.20 95.27 | 96.44 95.49 | +0.16 +0.14 | High 96.51 96.55 | 96.11 95.16 | £st. vol 148817 151394 | Open 854 1136 | 70 |
|--|----------------|----------------|-------------------------|----------------|------------------------|----------------|------------------------------|---------------------|------|
| | UK GII | TS P | RICES | | | | | | |
| Without that water 1,4 fb with the will be the bidge but | | Malas | , Yield let, Red | | | mak Low | | actols | E. |
| | | | | | | 10111 | | | 7.98 |
| | Trias 13%pc 19 | | 9.83 5.95 12.69 8.54 | | - 104 | 10113 Treas | 80c 2002-611 | | 8.07 |

| | Ореп | Sett pric | Change | e Higt | Low | Est. vol. | Open Int. | # ECU | BOND FUT | URES M | ATIF) ECU | 1100,0 | 200 | | | |
|--|--|---|--|---|--|--|--|--|--|--|---|--|---|---|---|---|
| tun . | 123.14 | 123.22 | -0.10 | 123.2 | | | 147.757 | | Open | Setto | rice Cha | ince | High | Low | Est voi | Open in |
| Sep | 121.62 | 121.74 | -0.12 | 121,7 | 4 121.6 | | 35,793 | Jun | 90.68 | | | .08 | 90.74 | 90.8 | | 5,304 |
| ec . | 120.40 | 120,54 | -0.10 | | | | 9,858 | Seo | 90.24 | 90.2 | | .12 | 90.24 | 90.2 | | 3,214 |
| LONG | TERM FRE | NCK BON | OPTION | IS (MATE | <u> </u> | _ | | | | | | | | | | -, |
| trike | | | US | | | PUTS | | US | | | | | | | | |
| rice | Ju | | ng j | Sep | ليىل | Aug | Sep | # US TR | EASURY | BOND FL | TURES (C | ST) \$ | 100,000 | 32nds of | 100% | |
| 20 | 1.9 | 7 | - | - | 0.14 | 0.32 | 0.56 | | Coen | Lette | est Che | ~ | High | Low | Est. vol. | Open I |
| 21 22 | 0.4 | | - 82 | 1.06 | 0.30 0.66 | 0.59 0.96 | 0.84 | .iun | 109-0 | | | | 109-00 | | | 193.1 |
| 22 | 0.1 | | .a. 41 | 0.63 | V.00 | u. 30 | 1.25 | Seo | 108-1 | | | -OS | 108-16 | | | 208.0 |
| * | 0.0 | | 16 | 0.35 | - | - | | Dec | 106-2 | | | -05 | 107-29 | | | 7,57 |
| it wat to | III. Calls 12,8 | 92 Puta 10 | 358 . Previ | ous day's | pes hz., Cal | ts 75,330 Pus | 84,176 . | | | | | | | | | • |
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| lermi | MY | | | | | | | | Mal Lon | G TERM | JAPANE | SE GO | OVT. BO | NO FUTU | RES | |
| | | AN BUND | FUTURIES | alfffi | DN/250 000 | 100ths of 10 | n% | | Y100m 1 | | | | | | | |
| | Open | Sett prior | | <u> </u> | Low | Est. vol | Open int. | | Open | Clos | e Che | nae | High | Low | Est. vol | Ореп |
| n | 96.2D | 96.44 | +0.16 | 96.51 | 96.11 | 148817 | 85470 | Jun | 120.22 | ! | | •- | 120.22 | 120.1 | | 0 |
| n KP | 95.27 | 95.49 | +0.14 | 95.55 | | 151394 | 113623 | Sep | 119.12 | : | | | 119.12 | 119,0 | | ō |
| ~ | | | | | | 101024 | | · LiftE tus | ures also tr | ided on Af | T. All Open | بسداد | ex Sys. an | for previo | us day. | |
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| UK G | ILTS P | RICES | | | | | | | | | | | | | | |
| | | | | | | | | - | | | | | | | | |
| | | | | | | | | | | | | | | | | |
| | | , Yield | | _ 5 | week | | | Yield | _5 | 2 week | | | | Yield | | _ 52 m |
| | Notes | ing Pic | d Price £ + | gr - High | | | Notes Inc | | + cr - H | | | | Notes | | Price € + or – | - 52 mg |
| Mar. Chi | Y and of our co | <u>int in</u> marsj | | er- Ha | LOW Tree | n 7 ¹ 20° 200611 | ori autoli | Red Price ∑ | +ar- Hg +& 101 | | Index-Lipto | | | (1) (2) | | High |
| 20 € 19 | es up to Reto Y | <u>int</u> in 0.91 E.J | 0 218() | gr - High | LOW Tre | 200611 200611 200611 | 7.52 7.88 | Red Price E 8.07 959346 8.10 9733 | +G- Hg +& 101 +& 101 | E LOW B 94(3) L 84(4) | 45pc 96‡ | | | (1) (2) | | High |
| es 2pc 19 Marsian 1 | es up to Five Y 96 | int Re 10.91 5.1 19.83 5.1 | 0 21883 5 101/3 | gr - High | 100 Tre 2102 Tre 1012 Tre | en 7 ¹ 200 200611 es 74 pc 200611 es 800 2002-611 | 7.82 7.96 8.07 | 8.07 953346 8.10 9533 8.10 993 | +0r- Hg +& 101 | E LOW B 94(3) L 84(4) | 45pc 1981 23pc 191 | | | (1) (2) | | High |
| ne 2pč 19 Hverske 1 ne 13%pg | es up to Pive Y 96 Ope 1996 1997‡2 | 84 Re 091 51 983 51 1269 61 10.19 61 | 0 21841 5 101/2 4 104/3 0 103/4 | | 1000 Tree 1 10111 Tree 1 10413 Tree 1 1033 | en 7½pc 20063; es 7¼ pc 2006;; es 8pc 2002-6;; es 11¼ pc 3003- | 7.32 7.98 8.07 | Red Price 2 8.07 95934 8.10 993 795 1193 | +6 - 101 +6 101 +8 101 +8 104 +8 125 | 1 11/3 1 11/3 1 11/3 1 11/3 | 45 pc 1981 21 pc 191 21 pc 193 41 pc 1941 | | 78.3 (78.3) (78.8) | (f) 28 1.50 2.53 1.20 2.72 1.37 3.77 1.43 3.79 | | High |
| es 2pc 19 Naraton 1 es 13½pc a 10½pc as Cov 7p | ns up to Fire Yi 96 Ope 1996 1997 1997 | nergy 091 53 983 54 12,69 61 10,19 6: 6,95 63 | 0 218]] 5 101]] 4 164]] 6 163], 12 100]] | | Low Tree 2104 Tree 10114 Tree 1023 Tree 1033 T | ee 7 ¹ 20° 20081‡ ss 7 ¹ 1 pc 2006‡‡ ss 80° 2002–6‡‡ ss 11 ¹ 1 pc 2003– ss 8 ¹ 20° 2007 ‡‡ | 7.32 7.98 8.07 7 8.95 1 8.90 | Red Price 2 8.07 95934 8.10 993 795 1193 | +07- Ng +3: 101 +3: 104 +3: 104 | 1 11/3 1 11/3 1 11/3 | 4%pc 981 2½pc 91 2½pc 93 44gc 94 2pc 98 | | 84 (75.3) (76.3) (76.8) (76.6) (76.6) | (1) (2) 1.50 2.83 1.20 2.72 1.37 3.77 1.43 3.79 1.52 3.80 | | High |
| es 2pc 19 1012pc 1012pc 2 1012pc 2 1012pc | 1997# 1997# | 10.19 6: 6.05 6.1 10.19 6: 6.05 6.1 8.31 6: | 00 21875 5 101/2 4 104/3 0 103/5 12 100/3 17 102/3 | 2189 1095 1015 | Low Tree 1 2103 Tree 1 1013 Tree 1 1033 Tree 1 1033 Tree 1 1033 Tree 1 1033 Tree 1 10132 Tree 1 | en 7½pc 20063; es 7¼ pc 2006;; es 8pc 2002-6;; es 11¼ pc 3003- | 7.52 7.96 | Red Price E 8.07 963546 8.10 993 796 1183 8.14 1023 8.01 1374 | +0- K +2 101 +2 104 +2 104 +3 125 +2 108 +11 138 | # Low # 94% # 94% # 95% # 117% # 98% # 129% | 45pc 181 21pc 101 21pc 103 45pc 104 2pc 108 21pc 108 | ‡(| 84 135.8 178.3 178.9 125.6 89.6 | (f) (2) 1.50 2.53 1.20 2.72 1.37 3.77 1.43 3.79 1.52 3.80 | | High |
| na 2pc 19 hvarske 1 km 13½pc ch 10½pc ma Chv 7p ch 15pc 19 | es up to Flor Yi 96 1995 1997 1997 1997 1997 1997 | 144 Ac 091 51 983 51 1269 61 16.15 6: 6.05 6. 8.51 6: 13.46 6: | 00 21843 5 101/2 6 104/3 10 103/4 12 100/3 7 102/3 | 2189 1095 1015 | Low Tree 1 2103 Tree 1 1013 Tree 1 1033 Tree 1 1033 Tree 1 1033 Tree 1 1033 Tree 1 10132 Tree 1 | ee 7 ¹ 20° 20081‡ ss 7 ¹ 1 pc 2006‡‡ ss 80° 2002–6‡‡ ss 11 ¹ 1 pc 2003– ss 8 ¹ 20° 2007 ‡‡ | 7.32 7.98 8.07 7 8.95 1 8.90 | Red Price £ 8.07 9533-6 8.10 953,3 8.10 953,3 7.95 1163, 8.14 1023,3 8.01 1371,4 8.18 1063,4 | +0- Kg +2: 101 +2: 101 +2: 104 +2: 104 +2: 125 +2: 108 | # Low # 94% # 94% # 95% # 117% # 98% # 129% | 45-pc 981 21-pc 101 21-pc 103 45-pc 104 2pc 108 21-pc 108 21-pc 111 | + | 84 135.8 178.3 178.9 125.6 89.6 | (f) (2) 1.50 2.53 1.20 2.72 1.37 3.77 1.43 3.79 1.52 3.80 | | High |
| ne 2pc 19 hversion 1: tes 13½pc 2h 10½pc ne Cav 7p tis 8½pc 1 2h 15pc 19 2h 9½pc 1 | es up to 744 Y 06 1995 1997†† 1997 1997†† 1997†† 1997†† 1997†† | ing Ac 0.91 5.1 9.83 5.1 12.69 6.1 10.19 6: 6.95 6.1 8.51 6.1 13.46 6.1 | 00 21813 5 10113 6 10413 60 10345 12 10013 7 10213 9 11113 8 1044 | - 21時 - 21時 - 109 - 109 - 109 - 109 - 116 - 116 - 116 | Low 100 100 100 100 100 100 100 100 100 10 | ee 7½pc 20081; ee 7½pc 20084; ee 8pc 2002-6;; ee 11½pc 2003- ee 13½pc 2004- ee 8pc 2006-; ee 6pc 2009 | 7.52 7.98 8.07 7.98 8.07 7.9.98 8.10.29 8.10.29 8.47 8.15 | Red Price E 8.07 9533-6 8.10 993,3 7.95 119-3 8.14 10233 8.01 13714 8.18 10874 | +0- K +2 101 +2 104 +2 104 +3 125 +2 108 +11 138 | # Low 13 943 4 943 14 953 1173 1173 11793 11 1293 14 1034 | 45pc 181 21pc 101 21pc 103 45pc 104 2pc 108 21pc 108 | + | 76 1358 1763 1768 1256 1968 1768 1768 1768 | (f) (g) 2,83 1,20 2,72 1,37 3,77 1,43 3,79 1,52 3,80 1,53 3,84 1,53 3,84 1,57 3,86 1,57 3,86 | 112% +± 1788 +± 1788 +± 1744 +± 1818 +± 1818 +± 1834 +± 1884 +± 1474 +± | High |
| nns 2pc 19 Aversien 1 Nns 134.pc Ch 104.ppc Nns Cav 7p Nns 84.pc Ch 15pc 19 Ch 15pc 1 Nns 74.pc Nns 84.pc | 1997;; 1997;; 1997;; 1997;; 1997;; 1997;; 1999;; 1999;; | ing An 0.91 5.1 9.83 5.1 12.69 6.1 10.19 6.25 6.1 8.51 6.1 13.46 6.2 9.31 6.1 7.19 6.74 6.1 | 00 218[] 55 101[] 4 164[] 9 103[] 7 102[] 9 111[] 8 104[] 8 104[] | - 2189 - 1044 - 1089 - 1089 - 1089 - 1089 - 1189 + 1089 + 1089 | 100 100 100 100 100 100 100 100 100 100 | 20 7 ¹ 20° 2008‡‡ 25 7 ¹ 10° 2008‡‡ 26 80° 2002-8‡‡ 26 11 ¹ 10° 3003- 26 12 ¹ 20° 2007-‡‡ 26 13 ¹ 20° 2004- 26 80° 2008-‡‡ | 7.52 7.98 8.07 7.98 8.07 7.9.98 8.10.29 8.10.29 8.47 8.15 | Red Price £ 8.07 9533-6 8.10 9533-7 8.10 953, 7.95 116-3 8.14 10232 8.01 13714 8.18 10654 8.20 96-5 | +0- Kg +4: 101 +4: 101 +4: 104 +4: 125 +4: 108 +4: 138 +4: 112 | # Low # 94% % 94% # 95% # 117% # 103% # 103% # 25% | 45pp 161 24pp 11 24pp 13 45pp 16 24pp 16 24pp 16 24pp 11 24pp 13 24pp 16 24pp 16 | ‡ (‡ (| 54 (135.8 (175.3) (175.9) (175.9) (176 | (f) (Z) 2,53 1,20 2,53 1,20 2,72 1,37 3,77 1,43 3,79 1,52 3,80 1,53 3,84 1,57 3,87 1,57 3,87 1,73 3,87 1,73 3,87 | 112% +14 178½ +19 174% +16 181½ +16 183½ +13 188½ +13 188½ +13 14463 +14 | 1134 1693 1763 1763 1674 1734 1734 1524 1674 |
| es 2pc 19 hverster 1 es 13½pc 2 10½pc 2 15pc 19 2 15pc 19 2 7½pc 1 2 15½pc 1 2 15½pc 1 | ns up to Five Yi 96 Ope 1995 1997 1997 1997 1997 1997 1997 1997 1998 | ing Re- 9.83 51 12.69 61 10.13 6: 6.05 6: 8.51 6: 7.19 6: 7.19 6: 13.10 6: | 218II 5 10112 4 10414 9 1034 9 11114 8 1044 9 1003 7 1003 9 1182 | - 2189 - 1044 - 1089 - 1089 - 1089 - 1089 - 1189 + 1089 + 1089 | Low Tree 1 104 1 105 1 104 1 105 1 1 | ee 7½pc 20081; ee 7½pc 20084; ee 8pc 2002-6;; ee 11½pc 2003- ee 13½pc 2004- ee 8pc 2006-; ee 6pc 2009 | 7.52 7.98 8.07 7.98 8.07 7.9.98 8.10.29 8.10.29 8.47 8.15 | Red Price £ 8.07 9533-6 8.10 9533-7 8.10 953, 7.95 116-3 8.14 10232 8.01 13714 8.18 10654 8.20 96-5 | +0- Hg +2 101 +2 104 +3 105 +3 105 +3 105 +4 106 +4 106 +4 106 +4 106 | # Low # 94% % 94% # 95% # 117% # 103% # 103% # 25% | 45pp 161 24pp 11 24pp 13 45pp 16 24pp 16 24pp 16 24pp 11 24pp 13 24pp 16 24pp 16 | ‡ (‡ (| 1358 (783) (783) (783) (758) (768) (768) (768) (8125) (8177) | (f) (Z) 2,50 2,50 1,20 2,72 1,43 3,79 1,43 3,79 1,52 1,60 1,53 3,64 1,77 1,65 1,77 1,86 1,77 1,77 1,86 1,77 1,77 1,77 1,86 1,77 1,77 1,77 1,86 1,77 1,77 1,77 1,86 1,77 1,77 1,77 1,77 1,77 1,77 1,77 1,7 | 112% +14 178½ +19 174% +16 181½ +16 183½ +13 188½ +13 188½ +13 14463 +14 | 1134 1694 1784 1784 1854 1874 1734 1674 1674 1684 |
| nes 2pc 19 Averation 1 August 132-pc Sh 102-pc Sh 102-pc Sh 15-pc Sh 52-pc Sh 92-pc Sh 52-pc Sh 52-pc Sh 52-pc Sh 52-pc Sh 52-pc Sh 52-pc | me up to Flore Y. 96 Ope 1995 1997†† 1997†† 1997†† 1997†† 1998†† 1998†† 1998†† 1998†† 1998†† | 12.69 6: 6.25 | 00 218[] 5 101[] 4 104[] 9 103[] 2 100[] 9 111[] 8 104[] 9 100[] 7 100[] 7 111[] | - 2189 - 1044 - 1089 - 1089 - 1089 - 1089 - 1189 + 1089 + 1089 | Low Tree 1 104 1 105 1 104 1 105 1 1 | ee 7½pc 20081; ee 7½pc 20084; ee 8pc 2002-6;; ee 11½pc 2003- ee 13½pc 2004- ee 8pc 2006-; ee 6pc 2009 | 7.52 7.98 8.07 7.98 8.07 7.9.98 8.10.29 8.10.29 8.47 8.15 | Red Price £ 8.07 9533-6 8.10 9533-7 8.10 953, 7.95 116-3 8.14 10232 8.01 13714 8.18 10654 8.20 96-5 | +0- Hg +2 101 +2 104 +3 105 +3 105 +3 105 +4 106 +4 106 +4 106 +4 106 | # Low 10 943 11 953 1174 11 1294 11 1294 12 954 12 954 12 954 13 1034 14 954 15 1034 16 954 | 45 pt 901 25 pt 91 25 pt 95 25 pt 96 25 pt 96 25 pt 96 25 pt 11 25 pt 12 25 pt 12 25 pt 12 25 pt 12 25 pt 12 25 pt 13 25 | | 785日 (7833 (7838 (7838 (785日 (785日 (785日 (785日 (883日 (883日 (8737) (8737) | (f) (2) 1.50 2.62 1.20 2.72 1.37 3.77 1.43 3.79 1.52 3.80 1.53 3.84 1.57 1.66 1.70 3.83 1.70 3.84 1.72 3.85 | 1125 + 1 1784 + 1 1784 + 1 1745 + 1 1814 + 1 1814 + 1 1824 + 1 182 | 1134 1804 1764 1161 1851 1874 1874 1884 1884 1884 1884 1884 |
| ne 2pč 19 hverster 1 km 134.pp ch 104.ppc ch 154.ppc 1 ch 15pc 19 ch 94.ppc 1 ch 74.ppc 1 cm 54.ppc 1 cm 94.ppc 1 cm 94.ppc 1 | me up to Flore Yi 96 Ope 1995 1997†† 1997†† 1997†† 987 998 1998†† 1998†† 1998†† 1998†† | 0.91 5.1 9.83 5.1 12.69 6.1 12.19 6. 13.46 6.1 13.46 6.1 7.19 6.1 13.10 6.1 10.80 6.1 | 00 218[] 5 101[] 4 104[] 6 100[] 7 102[] 9 111[] 8 100[] 7 100[] 7 100[] 7 100[] 8 118[] 9 118[] | で 日本 100g 100g | Low Tree 200 A Tree 20 | ee 7½pc 20081; ee 7½pc 20084; ee 8pc 2002-6;; ee 11½pc 2003- ee 13½pc 2004- ee 8pc 2006-; ee 6pc 2009 | 7.52 7.98 8.07 7.98 8.07 7.9.98 8.10.29 8.10.29 8.47 8.15 | Red Price £ 8.07 9533-6 8.10 9533-7 8.10 953, 7.95 116-3 8.14 10232 8.01 13714 8.18 10654 8.20 96-5 | +0- Hg +2 101 +2 104 +3 105 +3 105 +3 105 +4 106 +4 106 +4 106 +4 106 | E LOW 33 9433 44 9443 44 9443 44 9443 45 11745 45 1987 46 1297 46 1031 47 257 48 257 | 45-pc 96; 21-pc 93; 45-sc 94; 20-c 96; 21-pc 93; 21-sc 9 | | 34 1358 1763 1768 1758 1748 1748 1748 1812 1813 1813 1813 1813 1813 1813 181 | (1) (2) 2,53 (2) 2,72 (3) 3,73 (3) 7,143 (3) 7 | 1123 + 1 1784 + 1 1784 + 1 1784 + 1 1784 + 1 1815 + 1 1815 + 1 1815 + 1 1815 + 1 1816 + 1 1816 + 1 1816 + 1 1816 + 1 | High 1134 1804 1754 1164 1674 1734 1464 1224 1203 |
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| ee 2pc 19 hearles 1 hearle | ms up to Place Yi 05 05 05 00 1997 1997 1997 1997 1997 1997 1997 1997 1998 1998 1998 1999 1 | 85 Re | 0 21811 54 1041 54 1041 54 1041 54 1041 57 1021 59 111 54 1055 7 116 57 116 57 116 57 116 57 116 57 105 57 | # | 100 Test 100 | 20 71 ₂₀ E 20081; 20 71 ₄ E 20081; 20 71 ₄ E 20081; 20 71 ₄ E 20082; 20 81 ₂₀ E 2007; 20 81 ₂₀ E 2007; 20 81 ₂ E 2008; 20 81 ₂ E 2008; 21 81 ₂ E 2009; 22 81 ₂ E 2009; 23 81 ₂ E 2009; 24 81 ₂ E 2009; 25 81 ₂ E 2008; 26 81 ₂ E 2009; 27 81 ₂ E 2008; 27 81 ₂ E 2008; 28 92 2012; 28 92 2012; | 7.22 7.22 7.20 7.20 7.20 7.20 7.20 7.20 | Red Price E 8.07 96356 8.10 97356 8.10 9735 8.10 9735 8.14 1023 8.14 1023 8.16 1063 8.20 965 8.27 83 8.25 1063 8.29 1065 8.20 767 8.08 767 | +0~ M -2 100 | 1 Low 1943 4 943 4 943 1174 1175 1175 1175 1175 1175 1175 1175 | 45-pc 981 21-pc 91 21-pc 93 43-pc 944 2pc 98 21-pc 98 21-pc 13 21-pc 13 21-pc 20 21-pc 20 21-pc 30 21-pc 30 21- | ‡ — (‡ — (1 real 2) 5% | (%) Figure of FFT (%) | (1) (2) 2,50 50 2,50 1,20 2,72 1,37 3,77 1,43 3,79 1,50 3,50 1,50 3,50 1,72 3,50 1,73 3,50 | 1124 + 1 1781 + 1 1741 + 1 1741 + 1 1812 + 1 1814 + 1 181 | High 1804 1784 1784 1784 1854 1874 1874 1874 1874 1874 1874 1874 187 |
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| nee 2pc 19 mension 1 mension 1 mension 1 mension 1 mension 1 mension 2 mension 2 mension 2 mension 2 mension 2 mension 2 mension 3 mensi | m up to Five Yi 66 65 65 65 1987†1 1987 61 1987;1 1987 1987 1988 1988 1988 1989 | No. 20 Per Control of the Control of | 0 21811 0 21811 0 1041 0 1041 0 1041 0 1041 1 10 | # | 100 Transistant Tr | 20 71 ₂₀ 20082; 20 71 ₂ 20082; 20 71 ₂ 20082; 20 71 ₂ 20072; 20 71 | 1,000 1,00 | Red Prize E 3.00 963-66 8.10 993-6 8.10 993-6 796 1193-6 8.16 1024-6 8.18 1084-6 8.20 98-5 8.27 83 8.25 1063-6 8.29 97-5 8.30 97-5 8.31 942-6 8.32 97-5 8.33 97-5 8.34 1033-6 8.34 1033-6 8.34 1033-6 8.34 1033-6 8.34 1033-6 | + 6 - 6 - 6 - 6 - 6 - 6 - 6 - 6 - 6 - 6 | 100 | 4-per feet 200 200 21 2 2 2 2 2 2 2 2 2 2 2 2 2 2 | # | 1568 1569 176.3 176.8 176.8 176.8 176.9 176.9 187.7 195.1 100 Figure 100 Figu | (1) (2) 2.89 2.89 2.72 2.73 2.73 2.73 2.73 2.73 2.73 2.73 | 112% + 1 1781 + 1 1781 + 1 1781 + 1 1831 + 1 1831 + 1 1831 + 1 1831 + 1 1831 + 1 1831 + 1 1831 + 1 1831 + 1 1831 + 1 1831 + 1 1831 + 1 1831 + 1 1831 + 1 1831 + 1 1831 + 1 1831 + 1 1831 + 1 1 1831 + 1 1 1831 + 1 1 1831 + 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 | 113 Å 190 Å 190 Å 178 Å 178 Å 178 Å 167 Å 178 Å |
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Markets quiet as traders wait for economic data

By Philip Gawith

Foreign exchanges had a fairly quiet day yesterday with trad-ers and investors seemingly keeping their powder dry for events later in the week when the Japanese Tankan survey and the US payrolls report are

recover some of its poise after the sell-off on Friday, although a gap does seem to have emerged between the positioning of the market (very bullish) and the rhetoric (increasingly

It finished little changed in London at DM1.5265, from DM1.5275 on Friday, but off an intra-day low of DM1.5183. Against the yen it closed at analysts have scrambled Y108.285, from Y108.1, and off around to explain the pound's the low of Y107.35.

Sterling maintained its firm showing, with the trade weighted index finishing unchanged at 86.3. Against the Jamb D. Mark it closed at DM 2.365 in the control of the cont unchanged at 86.3. Against the D-Mark it closed at DM2.365 from DM2.366, while against

the dollar it finished at \$1.5493 recent strength, in many cases from \$1.5494. resorting to scepticism.

In the emerging markets field the focus was on the Czech koruna, following the surprise failure of Mr Vaclav Klaus's reformist government to win a majority in the week-end election. The currency opened about two per cent weaker than on Friday, but later recovered some of its poise to close about one per

■ Just as the market finds it difficult to get its head around the idea of Bundesbank sanctioned D-Mark weakness, so it struggles with the concept of independent sterling strength. It is little surprise, then, that

1.5540 1.5533 1.5520 1.5490 1,5516 1,6507 1,5494 1,5467

One observer said the explanation lay in "stupidity". Mr Jim O'Neill, chief cur-

rency economist at Goldman Sachs in New York, said there was obviously interest in buy-ing sterling, but maintained that the reasons so far provided appear unconvincing. One is the "catch-up" argument - that sterling is the benfor high-yielding bond markets, and currency apprecia-tion, who believe that similar moves in countries like Italy and Sweden have run their

Mr O'Neill argues that whereas these countries typi-cally enjoyed undervalued cur-rencies and a current account surplus, the pound does not appear undervalued, while the UK is running a current

As for the "Labour party is good for the pound" argument, he said it was difficult to see

Trade weighted index investors.

why it was a "hot topic" now. While it is known that some of the leading bedge fund managers are impressed by Mr Tony Blair, the Labour party leader, there has not been evidence of large sterling purchases from the biggest funds in recent

days.
Mr O'Neill said two other factors which had played a role in sterling's rally were options

related purchases when ster-ling broke through \$1.53, and cable (sterling/dollar) purchases from trend-following

Although sceptical about the foundations of sterling strength, Mr O'Neill said it was possible sterling, like the Swiss franc, was acting as a leading indicator on the dollar. "It may be indicating that some fizz has gone out of the dollar." He said he did not believe cable could stay at current levels without some dollar weakness. Mr Brian Martin, economist

at Barclays in London, said he doubted whether the government wanted sterling above DM2.40, and suggested that a deterioration in Britain's trade account through currency strength would probably anyway serve as corrective device.

■ The debate over the finnish markka joining the ERM steps up a level today with parlia-ment expected to pass legisla-tion clearing the way for such a move. But Ms Wike Groenenberg, Northern Europe econo-mist at Salomon Brothers in London, said "it remains unclear whether the Government will decide in favour of ERM entry any time soon."

Recent official comments have hinted at a delay of some months, and Ms Groenenberg said sentiment towards BRM said the government might favour delaying entry until the currency had weakened to a

more competitive level.

The behaviour of Sweden, a crucial trading partner, is also relevant, but Ms Groenenberg said she believed Finland would be prepared to enter the ERM independent of Sweden.

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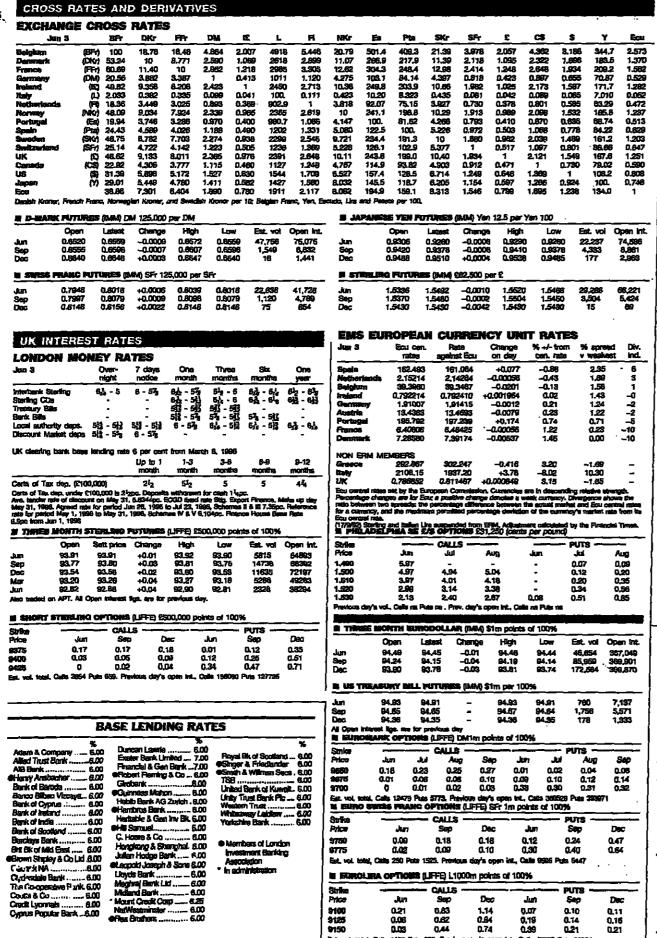
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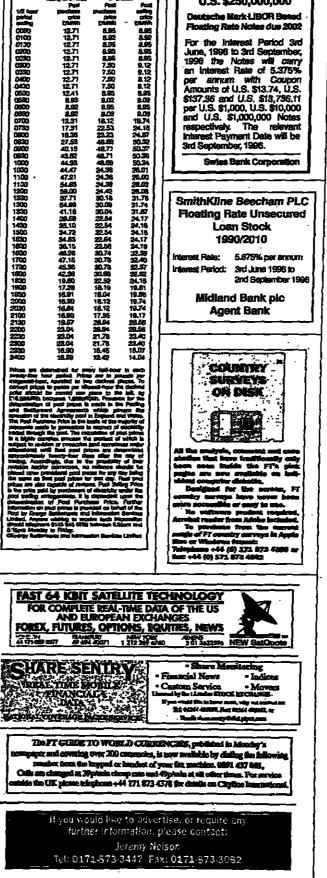
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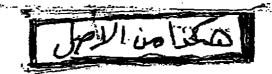
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| Open Sett price Change High Low Est. vol Open Aur 85.97 \$5.96 -0.03 85.97 \$5.94 17.427 48.79 | Short bern rebe of Therefor M | es ere cal Homethi f | for the US DO VIBOR PUTT | AM) Zamen AM) Zamen | n, comens: v TIF) Parts | juleapsuy o | illeted taşle (| FFr 5m) |
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| THRIEF MONTH EURODIANS FUTURIES (LIFFE) DM1m points of 100% | Sec | | | | | 95.88 | 16,990 | 56.710 |
| Typic Month Europalarsk Futuris Liffe OM1m points of 100% | Dec | | | | | | 9.574 | 31.874 |
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| Sep 96.88 96.71 +0.02 96.72 96.87 38631 24729 | | Open | Sett price | Change | 1 Ggfs | Low | Est. voi | Open in |
| Sep | Jun | 96.67 | 96.67 | -0.01 | 96.69 | 96,67 | 14755 | 168642 |
| Dec 98.49 98.52 +0.01 96.53 96.48 39344 20885 | | | | | | | | 247292 |
| Mar 96.20 98.22 -0.01 98.23 98.17 23962 16498 174955 18495 | Dec | | | | | | | 208957 |
| Open Sett price Change High Low Est. vol Open is Jun 91.07 91.14 - 91.17 91.04 8834 45686 Sep 91.71 91.73 -0.01 91.75 91.61 18415 41568 Dec 92.03 92.03 -0.01 92.05 91.95 3755 29775 Mer 92.02 92.05 -0.02 82.06 91.95 1145 1246 Mer 92.02 92.05 -0.02 82.06 91.95 1145 1246 Mer 92.02 92.05 -0.02 82.06 91.95 1145 1246 Mer 92.02 92.05 -0.02 82.06 91.95 1145 1248 Mer 92.02 92.05 97.42 10.02 97.53 97.34 5806 25.71 40.02 97.53 97.34 5806 287.27 14497 3923 98.41 10.05 97.25 97.05 | | | | | | 96.17 | 23962 | 164985 |
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| Sep 91.71 91.73 -0.01 91.75 91.61 18415 41582 Dec 92.03 92.03 -0.01 92.05 91.93 3755 29775 Mer 92.02 92.05 -0.02 82.06 91.95 1145 12248 E THERSE MONTH EXIRO STRESS FRANC FUTURES (LFFE) SFr1m points of 100% Open Sett price Change High Low Est. vol Open in the control of 100% Jun 97.50 97.47 -0.02 97.53 97.34 5806 22625 Sep 97.39 97.44 +0.05 97.48 97.27 14497 39235 Dec 97.15 97.21 +0.05 97.25 97.05 3188 13948 Mar 96.91 96.93 +0.04 96.96 98.79 735 6460 E THRISE MONTH EXPOYEN FUTURES (LFFE) Y100m points of 100% THRISE MONTH EXPOYEN FUTURES (LFFE) 80.94 99.39 94 na Sep 99.25 99.24 +0.01 99.25 99.24 248 na Dec 99.01 99.00 +0.03 99.01 99.00 79 na E THRISE MONTH ECU PUTURES (LFFE) Ecu1m points of 100% THRISE MONTH ECU PUTURES (LFFE) Ecu1m points of 100% THRISE MONTH ECU PUTURES (LFFE) Ecu1m points of 100% Copen Sett price Change High Low Est. vol Open | | Open | Sett price | Change | High | Low | Est. vol | Open in |
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| Mer 92.02 92.06 -0.02 82.06 91.96 1145 12445 | Sec | | 91.73 | -0.01 | | 91.61 | 18415 | 41585 |
| THREE NORTH EURO STREET FRANC PUTURES (LFFE) SFrim points of 100% | Dec | 92.03 | 92.03 | -0,01 | 92.05 | 91,93 | 3755 | 29775 |
| Cpen Sett price Change High Low Est. vol Open Low 10 | Mer | 85.05 | 92.05 | -0.02 | 92,06 | 91.96 | 1145 | 12249 |
| Jun 97.50 97.47 +0.02 97.53 97.34 5806 22626 Sop 97.39 97.44 +0.05 97.48 97.27 14497 39231 Dec 97.15 97.21 +0.05 97.28 97.27 14497 39231 Mer 96.91 96.93 +0.04 96.96 98.79 735 6460 IL THRIBE MONTH EUROVEN FUTURES: (LFFE) Y100m points of 100% Coan Set price Change High Low Est. vol Open of 100 99.25 99.24 248 na 99.25 99.24 40.01 99.25 99.24 248 na 100 99.29 99.25 99.24 100 99.20 78 na 11 THRIBE MONTH ECU FUTURES: (LFFE) Ecu1m points of 100% THRIBE MONTH ECU FUTURES: (LFFE) Ecu1m points of 100% Open Set price Change High Low Est. vol Open of 100% Open Set price Change High Low Est. vol Open of 100% Sep 95.55 95.55 -0.02 95.56 95.55 1170 9685 Sep 95.55 95.44 -0.04 95.26 95.55 594 4666 Dec 95.45 95.55 95.44 -0.04 95.26 95.23 203 2450 Mer 95.26 95.25 -0.04 95.26 95.23 203 2450 | E THREE N | ONTH I | IJRO SWIS | 8 FRANC | PUTURE: | s (LIFFE) S | Frim points | of 100% |
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vices sector rates have been

reduced. I think there is a 30 per

The market did, in fact, rally dur-

cent chance of a surprise cut."

MARKET REPORT

Equities refuse to shrug off despondent mood

By Peter John

Sterling moved even higher against the D-Mark, government bonds recovered but equities petulantly refused to join the party yesterday.

The London market did shrug off some of the worst excesses of gloom. Also it appeared to ignore the latest UK economic statistics as well as a much feared US purchasing managers' index. However, the FT-SE 100 index still ended the day 8.6 lower at 3,789.2.

On the other hand, some economists were surprised the index did not fall further, considering the background. On Friday, the Dow points amid growing concern about inflation, and the possibility that the Federal Reserve might raise interest rates. And, over the weekend, press comment had been unenthusiastic about the UK economy.

At the start of trading yesterday, the Footsie was off almost 18 points. The release of M0 - the main element of which is notes and coins in circulation – signalled a slight pick up in consumer spending.

The M0 figure implied strength in

the consumer side of the economy. But it coincided with the latest survey from the Chartered Institute of Purchasing and Supply, which showed that last month manufacturing suffered its biggest slide for more than 3% years.

The pressures on manufacturing, as shown by reduced output and iobs. lower order books and a build-up of unsold goods, will have been increased by the recent strength of the pound against the D-Mark and dollar.

The strength of sterling and the weakness of manufacturing led at least one economist to raise the possibility of an interest rate cut when the chancellor of the exchequer meets the governor of the Bank of England on Wednesday. Mr Ian Harnstt, the strategist at SGST, argued; "in the past when there has been this imbalance

between manufacturing and the ser-

ing the morning but its sights were not set on good news and as the time approached for trading to begin on Wall Street, London's nerves began to jangle again. Afternoon business was patchy with dealers waiting for inflation-

ary signals from the US purchasing managers' survey. Even when those signals did not materialise, the market failed to take heart. Traders merely switched their focus to the potential for discouraging US employment statistics on Friday. Futures traded at a discount to

from £2.2bn to around £2.4bn

although few were willing to

confirm their figures yester-

Royal Bank of Scotland con-

tinued to be boosted by a recommendation from Credit

Lyonnais Laing, issued at the

end of last week. The shares

Bargain hunting at the lower

Shares in pharmaceuticals

levels saw Abbey National

group Scotia Holdings jumped

34 to 729p, after Lehman

Brothers valued the stock at

ment bank said the group was

one of the better buys among

UK biotechnology stocks. They added that Scotia's valuation

took into account the nearer-

term opportunities offered by

THESE TREES WE

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HELP CHOP

Analysts at the US invest-

close a penny firmer at 554p.

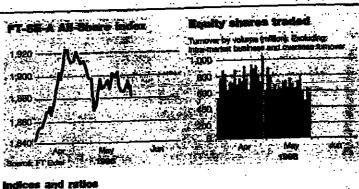
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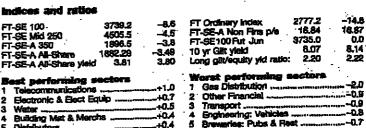
850p a share.

the cash market all day and share turnover of 644.9m by 6pm had a Monday feeling to it.

Takeover premium was virtually non-existent in the Footsle although most water stocks - particularly Wessex - were up. The only upward momentum came from BT, where the shares rose in response to a lenient regulatory review and con-tributed almost 5 points to Footsie.

That gain was offset by the effect of stocks going ex-dividend, which knocked 5.4 points off the index. Second-line stocks performed slightly better with the help of a sparkling performance from Eurotunnel. The FT-SE Mid 250 index lost only 4.5 at 4.505.5.





BT up on Oftel review

Telecoms shares were in the thick of the action yesterday, following a slew of regulatory news that sent BT shooting higher but left the mobile phone stocks trailing badly.

seen as favourable for BT with the X factor coming down to 4½ per cent on a regulatory band narrowed from 60 to 25 per cent of the telecom group's revenue. With the market consensus running closer to 5 per cent and 30 per cent, the shares surged from the outset.

Up to 374%p at one stage, BT ended as Footsie's best performer at 368%p, up 13 in turn-over boosted to 30m by what was described as a significant two-way pull. BT has had a strong run lately and yesterday's extra bounce sparked "take profits" advice from a number of brokers.

Panmure Gordon moved from "hold" to "sell". ABN Amro Hoare Govett, which increased its estimates of earnings per share growth from 3 per cent to 5 per cent, moved the shares to "overvalued".

Warnings of an Oftel probe into cellular prices, plus a revival of long-running cancer scare stories, hit the mobile phones sector. Vodafone, which puts out annual results today, slid 51/4 to 250p in 14m traded. Securicor A came off 55

Channel tunnel operator Eurotunnel raced ahead by company fell 4 to 215p as inves-

more than 12 per cent in heavy volume with the shares reaching a 1996 high and breaking through £1 for the first time

The group announced management changes which suggested that, from this automn, six of the top tier of eight hoard members would be French. This sparked a surge in volume on the Paris bourse as rumours about an early agreement on debt restructur-

ing resurfaced. Turnover in Paris raced ahead to 11.4m, and there was also significant arbitrage trade in London where turnover totalled 1.4m shares. The stock closed up 111/2 at 1051/2, the best performer in the FT-SE Mid 250

British Airways took a tumble as the shares went ex dividend. The payment was 10p net, so a decline of 19½ to 541p represented an effective 9%p

Carlton strong

Carlton Communications was one of the day's best performers in the Footsie after the shares added 11 to 495p. Sentiment in the stock was boosted by the stock being included on Panmure Gordon's list of best buys for the coming month. The broker previously rated the shares a "hold".

The combined decline of both the US and UK market exacted a toll of several media related stocks. The list included Pearson where the shares eased 5 to 687p, and Reuters, 31/2 lighter at 747p. after trade of 2.9m.

The broker also rates Mirror Group, although shares in the tors reflected on the likely impact of The Times reducing its Monday cover price to 10p. Mirror group holds a substantial stake in The Independent,

a competitor to The Times. Standard Chartered moved strongly ahead after NatWest Securities became the latest broker to recommend the stock.

The shares gained 4 to 646p against a poor market trend as 2.9m were dealt. NatWest Securities reiterated its long-term buy stance and raised its current year profits estimate by 220m to £820m. It held the forecast for the following year to

In the rest of the sector, Barclays were in demand and the shares gained 7 to 758p. The banking group was said to have started a round of meetings with brokers yesterday, ahead of the company's closed season. It reports figures in early August. Analysts were

its diabetic neuropathy and pancreatic cancer products and Financial times equity indices

| | Jun 3 | May 31 | May 30 | May 29_ | May 28 | Yr ago | 1-Egh _ | Low |
|----------------------|------------|-----------|------------|------------|-------------|-----------|----------|---------|
| Ordinary Share | 2777.2 | 2791.8 | 2790.3 | 2806.9 | 2793,6 | 2553.7 | 2885.2 | 2696.7 |
| Ord. div. yield | 4.01 | 4.00 | 3.99 | 3.97 | 3.98 | .4.21 | 4.06 | 3.76 |
| P/E ratio net | 18.11 | 18.16 | 18.16 | 16.28 | 18.22 | 15,91 | 17,25 | 15.96 |
| P/Eradior-Ni | 15.90 | 15.94 | 15,95 | 16,06 | 16.01 | 15.67 | 17.03 | 15.78 |
| Ordinary Share Index | t mince co | mpletton: | high 2885. | 2 19/04/90 | 1; 10w 40.4 | 26/08/40. | Bene Deb | 1/7/35. |
| Ordinary Shore ! | county of | enges | | | | | | |
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| COURTY COMPANIES | | • | | | | | | |
|-----------------------------|-----------|----------------|---------|--------|--------|------------|-------------|--------|
| Open 9.00 10.00 | 11.00 | 12.00 | 13.00 | 14,00 | 15.00 | 16,00 | High | _Low |
| 2781.1 2775,9 2783.7 | 2785.3 | 2763.0 1 | 2778.6 | 2776.5 | 2775.2 | 27764 | 2786.0 | 2773.4 |
| · | Jun 3 | May | 31 ! | May 30 | May 2 | <u> Ma</u> | y <u>28</u> | Yr ago |
| SEAC) bergains | 35,574 | 4 33,0 | 126 | 32,007 | 33.63 | 38 3 | 3.935 | 23,458 |
| Equity turnover (2m) | | - 1 6 6 | 4.2 | 1706.8 | 2018 | .7 1 | 06.2 | 1063.6 |
| Equity bargains t | - | - 38,7 | 722 | 37,601 | 41.60 | 21 34 | 9.912 | 34,498 |
| Shares traded (milit | - | - 60 | 2.5 | 580.3 | 640 | 2 4 | 174.3 | 450.0 |
| †Excluding intra-market but | iness and | CVAT/SES | turnove | τ. | | | | |

Pieses and falls'

its photodynamic therapy.
Glazo Wellcome followed the reported to be edging forecasts for the following year upwards

market lower, closing 3 off at 838p after trade of 4.5m. However, NatWest Securities favours the stock and yesterday issued a detailed buy note on the shares. NatWest said: Earnings growth is no longer dependent on cost reductions alone The launch of a raft of new drugs into the US market is driving up sales growth fore-

Tesco, which announced its new ClubCard Plus, dipped a penny to 300%p, while J Sainsbury fell 2% to 394p. One aux-lyst suggested that Tesco had stolen the other retailer's thun-

penny to 375p despite issuing a profits warning, provoked by the current BSE controversy. Several analysts downgraded

Unigate added 8 to 411p after announcing it had sold its black-eyed pea restaurants in

Thorn EMI rose 28 to 1822p following the announcement that its final results will be published on June 11. Speculation is growing about the group and its plans for demer-

ger. Stakis fell 3 to 108p following interim results at the low end of forecasts, with analysts disappointed at the performance of its casmos.

Ladbroke, which owns Hilton International, rose 21/4p to 192p on speculation that some sort of deal is progressing with Hilton Hotels of the US. Football stocks jumped on

the back of media reports that pay-per-view television could net them substantial amounts of money. Manchester United rose 35 to 400p and Tottenham 51 to 429p.

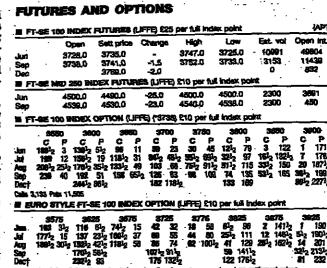
In the stores sector. Sears lost one penny, to 93%p. At an ing, the company explained the history of its involvement with Facia, to which it sold a num-

ber of businesses, and the £25m exceptional provision Sears has made against Facia going into receivership. Most analysts' forecasts were unchanged, although one said there could be a modest down-

Carpetright rose 3 to 613p, with analysts continuing to be optimistic about its prospects when Allied Carpets floats

later this year. Moss Bros rose 58 to 1138p following positive press comment, while W. H. Smith fell 2 to 455p, following press speculation about the outcome of its review of its operations, including Do it All.

Conglomerate Williams Holdings gained 7 to 340p on news of a \$13.8m move into



TRADING VOLUME

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| - | FP. | 1.26 | 65 | | †Herouses Prop | 50 | | - | - | - | |
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| - | F.P. | 26.6 | 205 | | Prison Reil | 205 | | | - | - | |
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| | Jun 3 | Dey's chge% | May Si | May 30 | May 29 | Year | Div. yleid% | Net | P/E | Xd sdj. ytd | Total Return |
| FT-SE 100 | 3739.2 | | | | 3775.7 | | 4.04 | 2.15 | 14.37 | 83.77 | 1528,31 |
| FT-SE Mid 250 | 4505.5 | | | | | 3890.1 | 9.36 | 1.75 | | 86.80 | 1807.26 |
| FT-SE Mild 250 ex low Trusts | 4551,4 | | | | | 3697.7 | 3.44 | 1.80 | 20.13 | 90.83 | 1828.30 |
| FT-SE-A 350 | 1896.5 | | | | | 1676.3 | 3.88 | 2.07 | 15.51 | 41.15 | 1584.20 |
| FT-SE-A 360 Higher Yield | 1826.0 | | | | | 1700.6 | 5.14 | 1,92 | 12,68 | 48.54 | 1276.12 |
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| FT-SE SmallCup | 2229.39 | | | | | 1667.32 | 294 | 1.77 | 24.10 | 29.50 | 1827.55 |
| FT-SE SmallCap ex inv Trusts | 2228,28 | | | | | 1844.73 | 3.10 | 1.85 | 21.76 | 31,07 | 1837.99 |
| PT-SE-A ALL-SHARE | 1882.29 | -0.2 | 1885.78 | 1884.42 | 1896.29 | 1655.47 | 3.81 | 2.06 | 15.96 | 39.55 | 1596.68 |
| ₩ FT-SE Actuaries AB-5 | Share | _ | | • | | | | | | | |
| | | Day's | | · | | Year | Div. | Net . | .P/E | Xd adj. | Total |
| l | Jun 3 | chge% | May 31 | May 30 | May 29 | 800 | yield% | COVER | ratio | ytd | Return |
| 10 MINERAL EXTRACTION(24) | 3459.77 | -0.1 | 3484.42 | 3477.17 | \$503.66 | 2875.35 | 3,87 | 1.83 | 17.62 | 79.03 | 1490.58 |

| 10 MENERAL EXTRACTION(24) | 3459.77 | -0.1 3464.42 3477.17 3503.66 2875.35 | 3.87 | 1.83 | 17.82 79.03 | 1490.58 |
|--|---------|---|--------|------------|--------------|---------------------------------------|
| 12 Extractive Industries(6) | 4466.37 | -0.3 4480.32 4515.89 4538.76 3839.33 | 3.62 | 2.50 | 13.83 109.19 | 1314.91 |
| 15 Oil, Integrated(3) | 3474.5B | -0.1 \$477.67 \$489.27 \$522.82 2871.45 | 4.12 | 1.72 | 17.60 81.84 | 1535.39 |
| 16 Oil Exploration & Prod(15) | 2499.29 | -0.2 2504,87 2502,04 2486.68 2063.29 | 2.09 | 1.82 | 35.93 33.06 | 1504.14 |
| 20 GEN INDUSTRIAL SIZ75) | 2092-22 | | | | | |
| | | -0.1 2095.03 2092.34 2102.89 1980.26 | 4.00 | 1.90 | 16.21 39.66 | |
| 21 Building & Construction(34) | 1209.80 | -0.1 1210.72 1208.51 1208.71 1005.37 | 3,41 | 1.80 | 20.42 20.76 | 1014.75 |
| 22 Building Maths & Mercha(29) | 1905.13 | +0.4 1897.22 1896.42 1909.79 1815.03 | 3,99 . | 1.75 | 17.97 38.43 | 964.68 |
| 23 Chemicals(25) | 2516.41 | -0.A 2527.81 2525.A5 2531.90 2437.A8 | 3,94 | 1.95 | 16.28 55.49 | 1197.77 |
| 24 Diversified industrials(19) | 1679,86 | -0.6 1690.81 1695.42 1699.59 1694.75 | 6.19 | 1.70 | 11.01 54.55 | 947.29 |
| 25 Electronic & Elect Equio(37) | 2480,07 | +0.7 2462.87 2444.11 2461.57 2075.14 | 2.96 | 1.67 | | 1280.04 |
| 26 Engineering(71) | 2424.80 | -0.3 2431.97 2435.43 2455.20 1992.72 | 3.15 | 2.48 | | 1470.10 |
| 27 Engineering, Vehicles(13) | 3065.35 | -0.8 3088.92 3062.53 3068.24 2338.53 | 3,48 | 1.96 | | |
| 28 Paper, Poko & Printing(28) | 2726.61 | +0.3 2717.33 2706.95 2726.59 2996.99 | 3.74 | 203 | | 1591.69 |
| 29 Textiles & Apperei(19) | 1417.40 | -0.3 1421.12 1409.86 1403.05 1893.77 | | | | 1135.92 |
| | | | 4.98 | 1.54 | 16,33 39,63 | 873.38 |
| 30 CONSUMER GOODS(80) | 3505.16 | -0.3 3516.85 3534,23 3568.21 3137.24 | 4.00 | 1.87 | 16.67 78.74 | 1300.93 |
| 32 Alcoholic Beverages(B) | 2776.78 | -0.7 2794.77 2820,49 2850,80 2783.71 | 4.51 | 1.62 | | 1007.52 |
| 33 Food Producers(23) | 2429.84 | -0.3 2436.24 2443.63 2457.97 2503.64 | 4.26 | 1.84 | | 1102.82 |
| 34 Household Goode(15) | 2890.80 | +0.2 2884.95 2688.95 2688.88 280A 92 | 3.69 | 2.41 | | |
| 36 Health Care(20) | 2080.76 | +0.3 2075.03 2082.14 2085.40 1767.56 | | | | 1032.29 |
| 37 Physmacouticele(12) | 4984.96 | -0.3 4998.28 5030.88 5087.57 3888.42 | 2.58 | 1.85 | 26.26 28.16 | |
| 38 Tobacco(1) | 4370.87 | | 3.41 | 1.88 | | 1896.46 |
| | 4010.01 | -0.6 4396.39 4392.15 4409.09 4238.92 | _5,81 | <u>212</u> | 10,14 156.18 | 1097.96 |
| 40 SERVICES(253) | 2535,97 | -0.2 2541.53 2584.28 2545.22 2080.41 | 2.82 | 204 | 21.74 45.71 | 1324 37 |
| 41 Distributors(32) | 2978.44 | +0.4 2967.78 2957.84 2965.42 2609.49 | 2.83 | 1.77 | | 1099.30 |
| 42 Leisure & Hotels(23) | 3188.56 | +0.2 3183.57 3176.97 3188.30 2343.43 | 277 | 1.95 | 23,16 141,93 | |
| 43 Medie(46) | 4213.50 | -0.1 4217.46 4221.10 4262.32 3035.70 | 215 | 1.92 | | |
| 44 Retailers, Food(15) | 2050.36 | -0,4 2057.74 2033.01 2032.58 2088.92 | 3.70 | | 30.32 48.04 | |
| 45 Retailers, General(43) | 2088.36 | -0.1 2088.21 2072.38 2079.47 1688.31 | 2.97 | 231 | | 1315.88 |
| 47 Breweries, Pubs & Rest (24) | 3156.47 | -0.7 3179.18 3180.89 3182.80 2415.04 | | 218 | | 1198,39 |
| 48 Support Services(49) | 2434,43 | -0.1 2437-20 2440.12 2438.72 1637.85 | 3.21 | 215 | | 1518.80 |
| 49 Transport(21) | 2384.01 | 0.0 0.005 40 0.000 00 0.004 04 0.000 00 | 1.89 | 2.45 | | 1548,57 |
| | | -0.9 2405.42 2409.88 2424.64 2288.89 | 3.70 | 1.50 | 22.58 42.47 | 996.56 |
| 60 VTLLTTE\$(\$33) | 2426,39 | +0.3 2420.30 2408.43 2414.45 2392,79 | 5.39 | 2.05 | 11.33 55.22 | 1000 00 |
| 62 Bectricity(12) | 2644.59 | -0.5 2657.97 2665.70 2662,64 2262,41 | 5.90 | 240 | 8.84 150,42 | |
| 64 Gas Distribution(2) | 1257.69 | -2.0 1283.53 1277,13 1245,13 2045,74 | 9.53 | 1.36 | | |
| 66 Telecommunications(7) | 2065.95 | +1.0 2044.61 2020.73 2037,75 2068.40 | 4.23 | 1.90 | 9.68 65.67 | 659.66 |
| 58 Water(12) | 2270.82 | +0.5 2259,35 2263,66 2290,60 1966,42 | | | 15.50 9.04 | 939.26 |
| | | | 5.59 | 243 | 9.22 3.61 | 1231,45 |
| 69 NON-FINANCIALS(665) | 2005,28 | -0.2 2008.30 2007.51 2019.01 1773.40 | 3.82 | 1.95 | 16.84 40.86 | 1525.89 |
| 70 FINANCIALS(106) | 2688.56 | -0.3 2896.24 2890.37 2917.36 2480.89 | | | | |
| 71 Benks, Retains | 3924.48 | -0.2 3832.23 3919.87 3971.25 3355.08 | 4.13 | 2.66 | 11.28 75.85 | |
| 72 Banks, Merchant(6) | 3669.13 | TU 3 3550 DD 6512 U1 8810 VD 4000 | 3.97 | 2.96 | 10.88 110.04 | |
| 73 insurance(23) | 1505.42 | +0.2 3680.99 3647.04 3849.08 3322.75 | 269 | 2.38 | | 1162.31 |
| | | -0.1 1507,40 1514.59 1531.65 1376.92 | 5.24 | 3,84 | 7.14 47.81 | 1141.23 |
| 74 Life Assurance(5) | 3505.57 | -0.2 3513.54 3502.54 3515.20 2724.81 | 4.25 | 2,24 | 13.09 100.72 | 1460 58 |
| 77 Other Financial(21) | 2707,54 | -0.8 2733,23 2728,16 2733,66 2039,20 | 3.83 | 1.72 | 18.99 49,50 | |
| 79 Property(41) | 1538,51 | -0.5 1546.76 1542.32 1639.85 1483,08 | 4.12 | 1,30 | | 949.88 |
| 80 INVESTMENT TRUSTS(125) | 3201.04 | -0.6 3219.43 3213.42 3229.17 2825.66 | | | | |
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| 89 FT-SE-A ALL-SHARE(895) | 1882.29 | -0.2 1885.78 1884.42 1896.29 1658.47 | 3.81 | 2.06 | 15.96 39.55 | 1608.00 |
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Additional information on the FT-SE Actuaries Share indices to published in Saturday issues.

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US\$500,000,000



Notice of Offer to Purchase for Cash

US\$150,000,000 97/8% Notes due January 15, 2011 US\$200,000,000 83/4% Notes due April 1, 2016 US\$150,000,000 91/8% Notes due September 25, 2016

Fixed Spread Tender Offer

Here Majesty the Queen in Right of New Zealand ('New Zealand'), is offering to purchase for cash any and all of its outstanding 97#% Notes due Isnuary 15, 2011, 834% Notes due April 1, 2016 and 91#% Notes due September 25, 2016 (the 'Notes')' subject to the terms and conditions set forth in the Offer to Purchase, dated June 3, 1996. The purchase price for the Notes will be calculated as the price resulting from a yield to maturity equal to (i) the yield on the Reference US Treasury Security specified below as calculated in accordance with standard market practice, based on the bid price for such Reference Security at the time the holder agrees to tender such Notes, as displayed only by the Bloomberg Government Pricing Monitor page 'PX1', plus (ii) the Fixed Spread specified below. The purchase price will be paid in same day funds on the third business day following the date on which the holders accepts the Offer (the 'Settlement Date'). In addition, New Zealand will pay accrued interest up to but not including the Settlement Date. The terms of the Offer are more fully described in the Offer to Purchase.

CUSIP No. 650162AN0 650162AP5 650162ARI

978% Notes due 01/15/2011 834% Notes due 04/01/2016 91/5% Notes due 09/25/2016

(US Treasury Note/Bond) 67#% Notes due 05/15/2006 67# % Bonds due 08/15/2025 678% Bonds due 08/15/2025

Spread 0.35%

To accept the offer, holders should contact their Morgan Stanley representative or call Morgan Stanley

The Dealer Manager for the Offer is MORGAN STANLEY & CO.

London: (+44) 171 425 7313 (call collect) Tokyo: (+813) 5424 7571 (call collect) New York: (800) 624 1808 (toli-free call)

The Offer will expire at 5:00 pm, New York City time, on Wednesday June 26th, 1996 unless extended.

3rd June: 1996

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Wall Street

US share prices added to last week's losses in midsession trading yesterday on the heels of a volatile bond market. writes Lisa Bransten in New

The Dow Jones Industrial Average fell nearly 30 points and the Standard & Poor's 500 lost almost 4 points in the first 15 minutes of trading as the long bond yield hovered over 7 per cent. At mid-morning, however, the bond market was cheered by a set of weak numbers on business activity from the National Association of Purchasing Management. That sent the long bond yield back below 7 per cent and helped shares to recover some of their

At 1 pm, the Dow was off 14.41 at 5,628.77. the S&P 500 had fallen 1.71 at 667.41 and the American Stock Exchange composite lost 1.60 at 609.38. NYSE volume was 168m

Technology stocks, which had managed to rise last week in spite of the losses in other sectors. were mostly lower. The Nasdaq composite, which is about 40 per cent technology 1,241.69 and the Pacific Stock Exchange technology index lost 0.2 per cent.

Intel, the silicon chip maker which is the second biggest company on the Nasdaq, added \$1% at \$76%, while several Internet-related companies posted losses. Netcom On-line Communication Services slipped \$1% at \$33, Cybercash fell \$1% at \$57% and PSInet fell

\$% at \$14%. Worries about the possibility that the Federal Reserve might raise interest rates caused cyclical shares, which would be disproportionately hurt by such a move to underperform

correction in shares of the for-

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+2.74

-0.32

† Based on May 31st 1896. © Copyright, FT-SE, and Standard & Poor's, 1998. All rights (manned.

Austrie

Belgium . Denmark

France .

EUROPE

Australia

South Africa

WORLD INDEX

other sectors. The Morgan Stanley index of cyclical shares

was 0.6 per cent lower, while

the counterpart index of con-

sumer shares fell 0.1 per cent. Falling cyclical shares

included Caterpillar, off \$% at

\$64%, Dow Chemical slipped

\$% at \$83 and Mead shed \$1%

HFS added \$1% or 2 per cent at \$63% on reports that the

hotel franchising company was

in discussions to acquire Avis,

pharmaceutical distribution

company, climbed \$1% or 3 per

cent to \$65% on news that it had signed a tentative agree-

ment to be the exclusive sup-

US Steel lost \$\% at \$30\%

after it announced that a fur-

nace problem in Indiana would

cut about \$100m from second

Toronto was weak at midses-

sion on profit-taking after Friday's gains and the TSE-300

composite index at noon was

12.20 down at 5,234.20 in vol-

Among individual stocks.

Sleeman Breweries, the result of a merger between Sleeman

Brewing & Malting and Okana-

gan Springs, was active in its

first day of trading. It rose to a

high of C\$7.50 after opening at

C\$6.60 and settled at C\$7.30 in

Nowsco Well Services

iumped C\$2.45 to C\$35.05 in

heavy trade on news that BJ

Services had increased its bid

for the company to C\$35 a

% change | % change storing † in US 8 †

Start of 1906

+11.36

+0.50 +2.08

+7.20

+9.10

+10.75

+9.52

+6.42

-1.24 +2.29

+4.64

+9.10

+0.47

+14.87

-1.98

+2.49

+10.91

+21,40

-5.88

Start of 1986

+11.57

+0.70 +2.28

+7.41 +9.32

+3.21

+10.97

+12.80

+9.73

+9.18

+6.62

-1.04 +2.49

+4.85

+9.32

+13.82

+15.10

-1.79

+2.70

+11.13

+8.70

-5.69

+5.85

+21.64

volume of 1.5m shares.

Lakes Chemical Corp.

on profit-taking.

trade before creeping back to index lost 14.71 to 3,190.80.

+4.79

+1.56 -0.27 +5.02 -0.01 +2.54

+1.23

+3.80

+1.05 +1.62

-1.30

-0.22 +0.60

-1.54

-4.29 -0.23

-3.61

-4.28 -3.76

+2.46

+3.99

FT/S&P ACTUARIES WORLD INDICES

MARKETS IN PERSPECTIVE

+8.38

+17.02 +12.31

+5.07 +10.41

+18.50 +27.57

+3.21

+18,39 +26.93 +26.03 +27.79

+13.04 +16.76

+11.67

+19.38 +32.58

+4.55

+4.68

+16.42

+24.91

+1.15 +61.79

-0.60 +25.88

+1.82 +23.79

+18.84

+7.40 +8.72

+16.52 +15.48

+9.93

+9.82 +16.93

+12.64

+13.08 +14.77

+7.48

+2.49 +8.55

+1.63

+5.30 +13.04 -5,67

+2.14

+11.49

+16.88

+12.57

+7.91

ume of 49m shares.

quarter operating profits.

plier for Kmart pharmacles

Shares in Cardinal Health a

the car rental company

Volatile bonds Senior bourses reverse losses after late \$ revival

A revival in US and French bonds, and a rebound in the dollar allowed PARIS to reverse early losses. The CAC-40 index rallied late to close 11.04 higher at 2,121.10, in turnover of FFr4.3bn.

Eurotunnel was strong all day, soaring FFr1.30, or 17.3 per cent, to FFr8.80 on specula-tion that a debt to equity conversion had been arranged with key bank lenders at a price of FFr10 to FFr12 per share.

Peugeot outperformed the bulk of the automotive sector, rising FFr14 to FFr734. Mr Christopher Will, at Lehman Brothers, upgraded the stock from outperform to buy, with a price target of FFr860 within the next twelve months.

The analyst said that, here and there, the European car market was now looking a little better than expected and the recent fall of the franc against the lira and sterling, was another good omen. Meanwhile, continued speculation on takeover prospects lifted Valeo, the automotive components stock, by FFr5.50 to

In financials, Crédit Foncier saw another another sharp fall, losing FFr2.70 at FFr28.60 on a debt downgrade by Moody's, and a decision by Morgan Stanley to take the stock out of its MSCI index.

FRANKFURT was a study in contradictions. A modest recovery in the dollar took it close to its high for the day, as it closed Ibis trading 20.18 higher at 2,543.99. But German stock market turnover was around its lowest for the year at DM5.2bn, down from DM6.5bn last Friday; Mr Haus-Peter Wodnick of Crédit Lyonnais thought this an unhealthy combination.

BMW reflected the dollar, up DMB.90 at DM842.90. But SAP prefs did a lot more, closing DM9.60, or 4.6 per cent higher at DM219.50, good fundamentals coinciding with a turning point on the share price chart. Deutsche Babcock reported es, foreshadowed more and fell DM2.70 to DM91.50; but Henkel, converted to shareholder value, went ex a DM11.50 dividend and closed, effectively, more than 2 per cent better at DM645 ZURICH featured a 3.8 per

cent fall in Elektrowatt, under pressure from a large sell order and also on fears about possible write-downs in the company's property business. The SMI index gave up 11.5 to 3,544.6 and Elektrowatt dropped SFr18 to SFr454 as the company said that any decisions it made on property market developments would be disclosed tomorrow along with half vear results.

FT-SE Actuaries Share Indices 10.30 11.00 12.00 13.00 14.08 15.00 Closs FT-SE Eurobrack 100 1678-49 1677.84 1677.89 1678.89 1678.39 1678.39 1677.54 1677.84 FT-SE Eurobrack 200 1724.57 1725.74 1724.28 1722.73 1721.74 1721.55 1722.13 1719.12 Mary 37, Mary 30, Mary 29, Mary 24, Mary 24 1892.00 1732.47

Pharmaceuticals | Were mostly lower. EMS lost SFr110 to SFr5,090 in further response to a downbeat outlook published last week. Clariant gave up SFr8 to SFr438 on profit-tak-

Baloise, the insurer, gained SFr35 to SDFr2.745 on speculative buying while a SFr4 advance in SMH to SFr859 was attributed to a reassessment of the watchmaker's US business, ahead of Friday's press confer-

MILAN punished Gemina. the financial holding group, after its report, late on Friday, of heavier than expected 1995 losses. The shares dropped L55.5 or 7.9 per cent to L640.5 as the Comit index gave up 7.46 to 661.13 on a day of

largely technical trade.

Mediolanum, the life insurance and financial services group formerly owned by Mr Silvio Berlusconi's Fininvest and the chief executive, Mr Ennio Doris, rushed to a high

of L15.995 as the shares made their debut in the market. They subsequently settled at L15,805, still sharply up from the L12,000 placement price.

ENI was down L64 at L7,344 on profit-taking after the share's strong rally ahead of its entry into the Morgan Stan-ley index yesterday. Among other blue chips, Fiat fell L181 to L5.245. Telecoms were under pres-

sure on expectations that the sector could see switching to Finingest's Mediaset when it was listed, probably later this month. Stet fell L88 to L5,432. Shares in Enichem's Montefibre synthetic figures business were suspended pending an announcement expected after the market closed.

AMSTERDAM, closing too early to enjoy the dollar recovery, was underpinned by strong domestic fundamentals which counterbalanced transatlantic influences. Financials held up, and the AEX index closed just 0.39 down at 569.20, after briefly spiking up to a record high of 571.75. COPENHAGEN fell further

as the cleaning group, Interna-tional Service System (ISS). took its share price tumble into a third day. ISS dropped by DKr13 to a new two-year low of DKr102, more than 37 per cent down since last Thursday's report of irregularities at a US unit which could cost it \$100m. The KFX index fell 1.02 to

HELSINKI fell as takeover speculation in Nokia appeared to fade and as profit-taking hit the paper machine maker, Valmet, after its New York stock market debut. Nokia dropped FM6.50 to FM199 and Valmet FM1.80 to FM72.20, as the Hex index closed 15.69 lower at

WARSAW extended Friday's gains in higher turnover which, analysis suggested, signalled a likely end of the market's three week correction.

The Wig index rose 165.3, or 1.4 per cent to 12,060.0 and turnover picked up 12.2 per cent to 95.6m zlotys. Dealers were unable to

explain a 10 per cent jump by Elektromontaz to 4.95 zlotys in hefty turnover of 3.8m zlotvs. TEL AVIV continued to rally from the immediate, post election drop of nearly five per that equities sustained last Thursday following the right wing victory in Israel's general elections.

Top shares added a little more, after a recovery of nearly 2 per cent on Sunday. The Mishtanim index closed 0.87 lower at 206.10, as turnover rose from Shk82m to Shk148m This followed statements by the prime minister-elect, Mr Benjamin Netanyahu, that he would pursue economic growth and stability.

I MA COL

aled out be

ilster talks

PRAGUE blue chips were sharply lower as investors anxiously awaited the outcome of talks on forming a new government after the indecisive general election vote at the weekend. The PX50 index lost 22.9 or 4.1 per cent to 530.6 as market leaders like Komercni Banka CEZ and STP Telecom. which feature in the portfolios of most international investors in the Czech market, all fell heavily.

ISTANBUL gave up some of its early gains after the prime minister, Mr Mesut Yilmaz, said that the only alternative to his troubled, 12 week conservative coalition with Mrs Tansu Ciller would be early elections. The IMKB-100 index turned back from a high of 63.519.96 but was still 1,145.82 ahead at 62,296,23.

Written and edited by William

Lender collapse reports sharpen Japanese worries

Tokyo

International worries over the course of US interest rates were exacerbated by domestic reports of the collapse of a nonbank lender and the Nikkei average lost 1.7 per cent, writes Emiko Terazono in Tokyo.

share. Nowsco is at the centre of a takeover battle between The 225 index fell 367.67 to 21.588.52, its low for the day. It the Houston-based BJ Services and the Indiana-based Great hit a high of 21.971.66 in the morning, but soon lost ground Arequipa Resources, the gold on profit-taking by domestic prospector, rose C\$1.35 to institutions. Share prices accelerated their declines following reports that Shinkyoto Shinpan, a credit company, had **Gloomy outlook for Light** gone bankrupt.

Volume totalled 360m shares against 405m. Most institutional investors remained inac-R\$297. The Bovespa index lost tive ahead of the Bank of 1.1 per cent at 56,655 by noon Japan's tankan, or quarterly survey of business confidence, MEXICO CITY was pressured to be released on Friday. The stock overvalued. The shares a rise in local interest rates at stocks lost 21.93 to 1,658.64 dropped 13.1 per cent in early today's Cetes auction. The IPC while the Nikkei 300 fell 3.23 to 307.61. Declines led advances by 996 to 117 with 102 ımchanged

In London, the ISE/Nikkei 50 index rose 4.94 to 1,453.71. Individual investors led the selling in the afternoon as the bankruptcy report triggered fears that speculative investors who had borrowed funds from the credit company would sell

their shareholdings. Speculative favourites were sold heavily with Kanematsu, the trading company, losing Y83 to Y617 and Tokai Kogyo, a general contractor, losing

Y200 to Y1,140. Japan Tobacco, the country's sole tobacco company, plunged Y43,000 to Y881,000 on fears of oversupply ahead of its share offerings scheduled later this

month. The ministry of finance hopes to sell 272,390 shares which were left over from its first offering in 1994, and the company started offering pro-

cedures yesterday Bank stocks were hit by arbitrage selling. Dai-Ichi Kangyo Bank, the most active issue of the day, fell Y40 to Y1,910 and the Bank of Tokyo Mitsubishi lost Y10 to Y2,550.

Oil refiners and distributors weakened on lower crude oil prices. Nippon Oil fell Y23 to Y692 and Showa Shell Sekiyu declined Y20 to Y1,120. Profit-taking depressed large

capital steels. Nippon Steel fell Y5 to Y362 and Kawasaki Steel lost Y15 to Y385. High-technology blue chips were mixed with Toshiba retreating Y1 to Y750, Sony down Y70 to Y6,800 and NEC up Y10 to Y1,200. In Osaka, the OSE average fell 262.62 to 23,052.26 in vol-

Roundup

The renewed US rate worries dropped HONG KONG by 1.8 per cent, and the Hang Seng index finished 204.92 lower at 11,059,81 as turnover shrank to

HK\$3.7bn The fall coincided with a report by ING Barings which concluded that Hong Kong's bull rally had ended and that the market had lost its momen-

turn and direction. Rate-sensitive banks and property issues were hard hit. HSBC lost HK\$1 to HK\$116 and Hang Seng Bank fell HK\$1.50

to HK\$79.25. SEOUL was sharply lower after the arrest of the head of the Securities Supervisory Board on bribery charges. The composite index closed 10.76

lower at 897.22 as brokers cautioned that a thorough investigation into corruption in the watchdog body could drag in a

large number of companies. Yuyang fell Won3,700 to its lower limit of Won58,800 on news that prosecutors had launched an investigation into the company on suspicions that it might have been involved in the alleged bribery. Wooree Motor lost Won700 to Won11,500 on rumours that it,

too was involved. Against the trend, Hyundai Group shares picked up on expectations that they would benefit from Fifa's decision to allow South Korea to co-host the 2002 World Cup football competition with Japan SYDNEY locals took their

All Ordinaries losing 35.9 at 2,230.2 in turnover down from A\$1.2bn to A\$821m. Big banks suffered most, but there was two way action in

cue from Wall Street and cut

positions across the board, the

the sector as National Australia Bank, a 6.1 per cent shareholder in St George, bought 25 per cent of Metway Bank's preference shares. St George had bid for Metway, and analysts thought that the NAB move was a blocking maneouvre. NAB fell 30 cents

to A\$11.45 and Metway by 11 cents to A\$4.69, but St George rose 25 cents to A\$8.45... KUALA LUMPUR's second board stocks plunged on reports of stricter margin fin-

ancing requirements, imposed

The Second Board index skidded 20.07 or 4.6 per cent to 417.53, while the composite index dropped 9.57 to 1,131.50. Analysts said the market was also soured by rumours of

by a leading retail broker.

fed Second Board volumes and prices in recent months, mov-BANGKOK continued to sell on political worries and the SET index fell 17.80, or 1.4 per

speculative funds, which have

cent to 1,294.11 in turnover of Bt4.81bn. KARACHI registered profittaking in speculative issues on settlement day, and the KSE-

100 index dropped 17.31 to 1.721.95 JAKARTA defied the regional downtrend, the more

remarkably since it got its initial lift from foreign buying of large, and medium capitalisation issues, followed through by locals buying second-liners in the afternoon.

The JKSE composite index rose 7.01 to 624.47 after a high of 629.86. BOMBAY marched 2 per cent

higher as investors applauded the appointment of the proreform finance minister, Mr Palaniappan Chidambaram to the new government. The BSE-30 index rose 74.04 to 3,799.01 as some analysts said that the index could climb now to the 3.810 level.

State Bank of India surged Rs20 or 7.1 per cent to Rs301 as it entered a no-delivery period, ahead of its book closure.

2. 工具

Renewed institutional demand

of the slide in the rand. seemed to be over and that equities would remain the channel for institutional investment. The overall index

S Africa overcomes early dip

helped Johannesburg's indusearly decline after Wall Street began slightly firmer. The steadier tone coincided with

trial shares to overcome an

comments by Old Mutual, the was off 0.4 to 6,818.1, industri-+5.64 insurance giant, which said als shed 0.8 to 7.0 that the industrial sector's up 5.3 at 2,018.8. als shed 0.8 to 7,985 and golds

| regional Markets | NATIONAL AND REGIONAL MARKETS | | | | | | | | | THURSD | YAM YA | 30 1996 | | DOI | LLAR M | 0EX |
|------------------------|-------------------------------|---------|----------|--------|--------|---------------|--------|-------------------|---------|----------|--------|---------|----------|-----------|----------|----------|
| igures in perentheses | US | Day's | Pound | | | Local | Local | Gr oss | US | Pound | | • | Local | | | Year |
| thow number of lines | Dollar | Change | Starling | Yen | | Currency | % chg | Utv. | Doller | Starting | Yen | DN; | Currency | 52 week a | 52 wask | 600 |
| stock | index | <u></u> | index | Index | Index | index. | on day | Yieki | Index | Index | Index | index | Index | High | LOW | (approx) |
| Website (79) | 207.32 | 0.8 | 198.38 | 141,67 | 184.64 | 172.68 | 0.5 | 4.27 | 205.62 | 198,64 | 139.85 | 163.80 | 171.88 | 212.18 | 162.68 | 167.3 |
| ustrie (25) | 194.35 | 1.4 | 185.96 | 132,80 | 154.34 | 154.24 | 1.1 | 1.82 | 191.70 | 185,19 | 130.39 | 152.71 | 152.62 | 199.28 | 168.11 | 193.8 |
| Belgium (27) | _,,210.18 | 0.6 | 201,12 | 143.62 | 166.91 | 163.02 | 0.4 | 4.08 | 209.00 | 201,90 | 142.15 | 166,49 | 182.39 | 215.81 | 186,06 | 194.6 |
| 3razi (25) | 170.62 | 0.3 | 153.26 | 116.59 | 135.49 | 313.53 | 0.5 | 2.07 | 170.14 | 164.36 | 115.72 | 135,53 | 312.07 | 171.08 | 123.97 | 134,9 |
| Canada (99) | 164.63 | 0.0 | 157.53 | 112,49 | 130,74 | 163.45 | 0.2 | 2,33 | 184,66 | 159.07 | 112.00 | 131.17 | 163.18 | 164.66 | 134.14 | 141,6 |
| Denmark (30) | | 0.0 | 282.06 | 201.42 | 234,09 | 238,65 | -0.3 | 1.89 | 294.80 | 284,79 | 200.51 | 234,84 | · 237,32 | 305.17 | 275.66 | 280.7 |
| Triend (23) | 200.53 | 3.4 | 191.88 | 127 03 | 169,25 | 198,64 | 3.2 | 251 | 193.92 | 187,34 | 131.90 | 154.48 | 192.52 | 276.11 | 171.73 | 207,9 |
| Tance (97) | 195.74 | Q.4 | 187.29 | 133.75 | 155,44 | 158.94 | 0.1 | 3.02 | 195.03 | 188,41 | 132.65 | 155.37 | 158.72 | 196.39 | 167.70 | 184,6 |
| Эстику (60) | | 0.9 | 161,34 | 115.21 | 133,90 | 133,90 | 0.5 | 1.87 | 167.18 | 161,53 | 113.70 | 133,18 | 133.18 | 174,38 | 153.83 | 153.8 |
| lang Kang (59) | | 2.2 | 421.38 | 300.92 | 349.72 | 437,47 | 8.0 | 3.25 | 436.38 | 421.5B | 296.80 | 347.83 | 433.47 | 451.19 | 343.81 | 369.0 |
| eland (16) | 282,97 | 1.5 | 270.76 | 193.36 | 224,72 | 261.15 | 0.7 | 3.41 | 278.74 | 269.27 | 189.58 | 222.05 | 249.32 | 282.97 | 226.91 | 226.1 |
| aly (59) | 62.96 | 0.5 | 79.39 | 56.69 | 65.88 | 95.9 1 | 0.4 | 2.29 | 82.57 | 79.77 | 56.18 | 65.78 | 95.55 | 84.53 | 67.22 | 75.9 |
| apan (481) | ,155.66 | 0.0 | 146.95 | 106.37 | 123.52 | 106.37 | 0.5 | 0.72 | 155.64 | 150.35 | 105.85 | 123.99 | 105.88 | 184.68 | . 137.75 | 149.9 |
| lakrysia (107) | 557.26 | 0.0 | 533.22 | 380.78 | 442,54 | 536.23 | 0,0 | 1.67 | 557,04 | 538,19 | 378.87 | 443.75 | 535.23 | 585.09 | 425,77 | 540.2 |
| lerdeo (18) | .1257,41 | -1.6 | 1203.16 | 859.20 | 998.54 | 10198.85 | -1.9 | 1.38 | 1277.98 | 1234.59 | 889.22 | 1018.07 | 10395.06 | 1325.65 | 791.99 | 935.2 |
| letherland (19) | 298.87 | 6.0 | 285.78 | 204.08 | 237.18 | 233,33 | 8.0 | 3.08 | 295,86 | 285.81 | 201.23 | 235.60 | 231.58 | 298.67 | 245.79 | 247.4 |
| lew Zealand (15) | 79.06 | -0.5 | 74.71 | 53.35 | 62.00 | 61.02 | 0.1 | 4.50 | 78.43 | 75.77 | 53.35 | 62.48 | 60.95 | 85.49 | 76.25 | 81.2 |
| lonway (35) | | 0.8 | 241.13 | 172.19 | 200,12 | 223,42 | 0.4 | 203 | 250.04 | 241.55 | 170.07 | 199.19 | 222.47 | 255.75 | 227.17 | 221,5 |
| ingepore (44) | | 0.0 | 399.36 | 285.19 | 331.44 | 271.13 | Õ.D | 1.40 | 417.18 | 403.02 | 283.75 | 332.34 | 271.13 | 465.21 | 355.81 | 403.3 |
| outh Africa (45) | | 1,9 | 347.02 | 247.81 | 288,00 | 345.61 | 7.5 | 2.07 | 356.05 | 343.97 | 242.17 | 283.64 | 340.47 | 437.76 | 338.91 | |
| pein (37) | | -0.3 | 168.20 | 120.12 | 139.60 | 171.69 | -0.5 | 3.24 | 176.29 | 170.31 | | | | | | 341.3 |
| weden (48) | | 1.6 | 337.54 | 241.05 | 280.14 | 357.44 | 0.0 | 2.31 | 347.27 | 335.48 | 119,90 | 140.44 | 172,48 | 179,85 | 145.15 | 145.5 |
| witzerland (38) | | 1.0 | 223.01 | 159.26 | 185.08 | 180.95 | 0.5 | | | | 236,19 | 276.64 | 348.31 | 356,08 | 256.60 | 256.6 |
| | | 0.0 | 172.27 | 123.02 | 142.97 | 176.92 | | 1.64 | 230.78 | 222.94 | 156.97 | 183.84 | 180.06 | 252.34 | 191.24 | 195.6 |
| | 10U.U4 | | | | | | 0.0 | 1.85 | 20.09 | 173.97 | 122,49 | 143.48 | 176,92 | 193.95 | 148,74 | 170.2 |
| Inited Kingdom (201) | | 1.0 | 225.64 | 161.13 | 187.26 | 225.64 | 0.1 | 4.11 | 233.38 | 225.46 | 158,74 | 185.92 | 225.46 | 237.43 | 210.29 | 213.8 |
| <u>SA (827)</u> | _272.58 | -0.3 | 260.80 | 188.24 | 216.44 | 272.58 | -0.3 | 2.17 | 273.50 | 264.22 | 186.02 | 217.88 | 273.50 | 276,24 | 215.77 | 218.2 |
| mericas (772) | 249.09 | -0.3 | 238.35 | 170.21 | 197,81 | 209.40 | -0.3 | 2.16 | 249.94 | 241,45 | 170.00 | 199.11 | 210.70 | 252.40 | 197.68 | 199.8 |
| urope (715) | 210.20 | 0.9 | 201.13 | 143.63 | 166.92 | 184,42 | 0.3 | 3.05 | 208.40 | 201.32 | 141.74 | 166.01 | 183.82 | 211.35 | 187.00 | 187.0 |
| ordic (136) | 303.16 | 1.5 | 290.08 | 207,15 | 240.75 | 265.60 | 1.0 | 2.24 | 298.73 | 288.58 | 203.18 | 237.97 | 263.08 | 303.16 | 248.36 | 248.3 |
| actric Basin (831) | | 0.1 | 161.72 | 115.49 | 134.22 | 117.79 | 0.5 | 1.17 | 168.81 | 163.08 | 114.82 | 134.48 | 117.23 | | 148.86 | |
| ro-Pacific (1546) | | 0.5 | 178.04 | 127.14 | 147.76 | 143.04 | 0.4 | 2.05 | | | | | | 177,01 | | 160.0 |
| orth America (726) | | -0.3 | 254.29 | 181.67 | 211.13 | 265.20 | • | | 185.19 | 178.91 | 125.96 | 147,53 | 142.47 | 190.57 | 165.51 | 171,1 |
| | | 0.6 | 182.99 | 130.67 | | | -0.3 | 2.17 | 268.75 | 257.70 | 181.43 | 212.50 | 266.07 | 269.33 | 211.12 | 213.4 |
| propa Ex. UK (514) | | 0.6 | 280.10 | 200.02 | 151.87 | 159.68 | 0.5 | 2.47 | 189.78 | 163.33 | 129.08 | 151.18 | 158,95 | 192,67 | 168.29 | 168.2 |
| ecific Ex. Japan (350) | | | | | 232.46 | 252.04 | 0.5 | 3.03 | 291,10 | 281.22 | 197,09 | 231.90 | 250,88 | 296.68 | 243.50 | 256.82 |
| forld Ex. US (1736) | | 0.5 | 179.33 | 128.06 | 148.83 | 147.59 | 0.4 | 2.08 | 188.54 | 180.21 | 126,88 | 148.60 | 147,00 | 191.55 | 187.36 | 171.7 |
| land Ex. UK (2162) | | 0.0 | 202.38 | 144.53 | 167.96 | 179.21 | 0.1 | 1.91 | 211.45 | 204.27 | 143.52 | 168.45 | 179.06 | 213.05 | 180.73 | 183.0 |
| forld Ex. Japan (1882) | _245.78 | 0.1 | 235.17 | 167,94 | 195.18 | 232,56 | QД | 2.52 | 245.42 | 237.08 | 166.92 | 195.50 | 232.95 | 246,49 | 205.87 | 206.4 |

FIRST QUARTER 1996 FINANCIAL RESULTS

(Reviewed by Ernst & Young, Bahrain) **CONSOLIDATED BALANCE SHEET** (US\$ million) (AT 31 MARCH, 1996) 31 March 1996 31 March 1995 ASSETS Liquid funds 270 Marketable securities 2,089 2,349 Placements with banks and other financial institutions 6,839 5,317 Loans and advances 10.623 10,509 Interest receivable 288 Investments in associates 79 83 Other investments 104 111 Other assets 274 287 Premises and equipment <u>446</u> 447 21,149 19,569 LIABILITIES Deposits from customers 9,675 8.668 Deposits from banks and other financial institutions 7,387 Certificates of deposit 239 192 Interest payable 343 235 Other liabilities 258 450 Minority interests 274 251 <u> 18,480</u> <u>17,183</u> TERM NOTES, BONDS AND OTHER TERM FINANCING 1,102 932 SHAREHOLDERS' FUNDS Share capital 1.000 1,000 Treasury stock (75) 613 (67) 487 Reserves & retained earnings Current period's profit <u> 29</u> <u>34</u> 1,567 1,454 21,149 19,569

| · | <u>=====</u> | |
|---|-------------------|--------------------------|
| CONSOLIDATED INCOME STATEMENT (3 MONTH PERIOD TO 31 MARCH, 1996) | | million) Jan-Mar 1995 |
| INCOME FROM OPERATIONS | | 3411 1-141 1993 |
| Net interest income Other operating income TOTAL INCOME | 97 61 158 | 99 _ 59 _ 158 |
| Operating expenses | (104) | (96) |
| OPERATING PROFIT BEFORE LOAN LOSS PROVISIONS | 54 | 62 |
| Loan loss provisions PROFIT BEFORE TAXATION AND MINORITY INTERESTS | (6) | (11) |
| Taxation on foreign operations Minority interests in subsidiaries | 48 (11) (8) | 51 (10) |
| NET PROFIT FOR THE PERIOD | 29 | 34 |

ARAB BANKING CORPORATION (B.S.C.)

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